MAULDIN & JENKINS

CPAs & ADVISORS

FSBH CORP
AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2023

FSBH CORP AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
FSBH CORP
and Subsidiary
Bradenton, Florida

Opinion

We have audited the accompanying consolidated financial statements of FSBH CORP and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FSBH CORP and Subsidiary as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 FSBH CORP and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Mauldin & Jenkins, LLC

Albany, Georgia
March 26, 2024

FSBH CORP AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

Assets	**2023**	2022
Cash and due from banks	**$ 2,031,156**	$ 2,488,933
Interest-bearing deposits in banks	**21,477,494**	50,681,283
Securities available for sale, at fair value (amortized cost $3,897,179 and $4,820,730)	**3,599,498**	4,481,132
Securities held to maturity, at amortized cost (fair value of $59,051,084 and $58,992,932, respectively)	**68,548,683**	69,373,895
Restricted equity securities	**365,620**	295,020
Loans	**194,264,084**	163,541,251
Less allowance for credit losses	**1,675,456**	1,850,716
Loans, net	**192,588,628**	161,690,535
Premises and equipment, net	**8,101,200**	8,229,053
Foreclosed assets	**-**	54,339
Bank owned life insurance	**4,836,020**	4,694,822
Accrued interest receivable	**1,248,885**	1,064,006
Deferred tax assets, net	**2,350,079**	3,069,152
Other assets	**1,589,822**	1,481,371
	$ 306,737,085	$ 307,603,541
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	**$ 90,757,964**	$ 97,776,882
Interest-bearing	**189,911,202**	186,729,157
Total deposits	**280,669,166**	284,506,039
Accrued interest payable	**310,936**	89,538
Other liabilities	**1,251,023**	1,039,565
Total liabilities	**282,231,125**	285,635,142
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock, par value $5; 10,000,000 shares authorized; none issued	**-**	-
Common stock, par value $5; 30,000,000 shares authorized; 3,008,071 shares issued and outstanding	**15,040,355**	15,040,355
Capital surplus	**20,561,539**	20,463,827
Retained deficit	**(6,360,272)**	(8,368,954)
Accumulated other comprehensive loss	**(4,735,662)**	(5,166,829)
Total stockholders' equity	**24,505,960**	21,968,399
	$ 306,737,085	$ 307,603,541

See Notes to Consolidated Financial Statements.

FSBH CORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Interest income		
Interest and fees on loans	**$ 11,122,343**	$ 7,830,840
Interest on taxable securities	**1,676,205**	1,572,676
Interest on nontaxable securities	**25,053**	17,913
Interest on federal funds sold and deposits in banks	**1,772,177**	1,273,240
Total interest income	**14,595,778**	10,694,669
Interest expense		
Interest on deposits	**2,759,648**	644,454
Net interest income	**11,836,130**	10,050,215
Recovery of credit losses	**-**	(63,716)
Net interest income after recovery of credit losses	**11,836,130**	10,113,931
Noninterest income		
Service charges on deposit accounts	**957,990**	881,521
Bank owned life insurance	**133,426**	126,914
Gain on sales of premises and equipment	**1,744**	32,380
Gain on sales of foreclosed assets	**19,831**	-
Other operating income	**60,033**	54,021
Total noninterest income	**1,173,024**	1,094,836
Noninterest expenses		
Salaries and employee benefits	**5,946,184**	5,382,040
Equipment and occupancy	**1,443,418**	1,271,502
Legal and professional	**364,717**	261,557
Data processing	**961,700**	768,001
Other operating expense	**1,650,245**	1,457,402
Total noninterest expenses	**10,366,264**	9,140,502
Income before income tax expense	**2,642,890**	2,068,265
Income tax expense	**634,208**	505,566
Net income	**$ 2,008,682**	$ 1,562,699
Basic and diluted earnings per share	**$ 0.67**	$ 0.57

See Notes to Consolidated Financial Statements.

FSBH CORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Net income	**$ 2,008,682**	$ 1,562,699
Other comprehensive income (loss):		
Net unrealized holding gains (losses) on securities available for sale arising during the year, net of (tax) benefits of $(10,479) and $1,446,036, respectively	**31,438**	(4,338,108)
Reclassification adjustment for amortization of unrealized holding losses included in accumulated other comprehensive income (loss) from the transfer of securities available for sale to held to maturity, net of tax benefits of $133,243 and $116,529, respectively	**399,729**	349,586
Other comprehensive income (loss)	**431,167**	(3,988,522)
Comprehensive income (loss)	**$ 2,439,849**	$ (2,425,823)

See Notes to Consolidated Financial Statements.

FSBH CORP AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Stock		Capital	Retained	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Par Value	Surplus	Deficit	Income (Loss)	Equity
Balance, December 31, 2021	2,478,253	$ 12,391,265	$ 18,514,281	$ (9,931,653)	$ (1,178,307)	$ 19,795,586
Net income	-	-	-	1,562,699	-	1,562,699
Issuance of common stock, net of stock issuance costs	529,818	2,649,090	1,949,546	-	-	4,598,636
Other comprehensive loss	-	-	-	-	(3,988,522)	(3,988,522)
Balance, December 31, 2022	3,008,071	15,040,355	20,463,827	(8,368,954)	(5,166,829)	21,968,399
Net income	-	-	-	2,008,682	-	2,008,682
Stock based compensation	-	-	97,712	-	-	97,712
Other comprehensive income	-	-	-	-	431,167	431,167
Balance, December 31, 2023	3,008,071	$ 15,040,355	$ 20,561,539	$ (6,360,272)	$ (4,735,662)	$ 24,505,960

See Notes to Consolidated Financial Statements.

FSBH CORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Net income	**$ 2,008,682**	$ 1,562,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**536,969**	496,232
Recovery of credit losses	**-**	(63,716)
Provision for deferred taxes, net	**575,351**	505,565
Net gain on sales of premises and equipment	**(1,744)**	(32,380)
Net gain on sales of foreclosed assets	**(19,831)**	(4,868)
Stock based compensation expense	**97,712**	-
Increase in interest receivable	**(184,879)**	(376,924)
Increase in interest payable	**221,398**	37,401
Increase in taxes payable	**25,290**	-
Increase in bank owned life insurance	**(141,198)**	(119,142)
Other prepaids, deferrals and accruals, net	**(81,283)**	(112,021)
Total adjustments	**1,027,785**	330,147
Net cash provided by operating activities	**3,036,467**	1,892,846
INVESTING ACTIVITIES		
Decrease in interest-bearing deposits in banks	**29,203,789**	28,921,731
Purchases of securities held to maturity	**-**	(11,962,682)
Proceeds from calls and principal paydowns on securities available for sale	**923,551**	2,900,214
Proceeds from calls and principal paydowns on securities held to maturity	**1,358,184**	1,823,278
Net increase in restricted equity securities	**(70,600)**	(42,200)
Increase in loans, net	**(30,746,486)**	(41,840,383)
Proceeds from sales of foreclosed assets	**81,563**	102,248
Proceeds from sales of premises and equipment	**1,744**	80,500
Purchase of premises and equipment	**(409,116)**	(723,303)
Net cash provided by (used in) investing activities	**342,629**	(20,740,597)
FINANCING ACTIVITIES		
Increase (decrease) in deposits, net	**(3,836,873)**	14,845,973
Proceeds from issuance of common stock, net of issuance costs	**-**	4,598,636
Net cash (used in) provided by financing activities	**(3,836,873)**	19,444,609
Net (decrease) increase in cash and due from banks	**(457,777)**	596,858
Cash and due from banks at beginning of year	**2,488,933**	1,892,075
Cash and due from banks at end of year	**$ 2,031,156**	$ 2,488,933
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	**$ 2,538,250**	$ 607,053
Taxes	**$ 84,147**	$ -
NONCASH TRANSACTIONS		
Principal balances of loans transferred to foreclosed assets	**$ 312,871**	$ 8,975
Internally financed sales of foreclosed assets	**$ 305,478**	$ 332,386

See Notes to Consolidated Financial Statements.

FSBH CORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

FSBH CORP (the "Company") is a bank holding company whose business is presently conducted by its subsidiary bank, First Southern Bank (the "Bank").

During 2022, the Company was incorporated for the purposes of acquiring all of the outstanding shares of the common stock in the Bank for shares of common stock in the Company on a share-for-share basis. The $5 par value common stock of the Bank was converted into $5 par value common stock of the Company. As a result of this combination, the Bank became a wholly owned subsidiary of the Company. This business combination was accounted for as a pooling of interest.

The Bank is a Georgia state-chartered, commercial bank with operations in Waycross, Patterson, Blackshear, and Jesup, Georgia, and Bradenton, Stuart, and Sebring, Florida. The Bank provides a full range of banking services to individual and corporate customers in these markets and in the surrounding counties. The Bank is subject to the regulations of certain federal and state agencies and is periodically examined by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, First Southern Bank.

All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation and Accounting Estimates

In preparing the consolidated financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP"), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date 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 in the near term relate to the determination of the allowance for credit losses, the valuation of foreclosed assets, credit-related impairments of securities, deferred taxes, and the fair value of financial instruments.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Company's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its borrowers' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting Estimates (Continued)

The Company has evaluated all transactions, events, and circumstances for consideration or disclosure through March 26, 2024, the date these financial statements were available to be issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

Cash, Due from Banks, and Cash Flows

For purposes of reporting cash flows, cash, and due from banks includes cash on hand, cash items in process of collection, and amounts due from banks. Cash flows from loans, restricted equity securities, interest-bearing deposits in banks, and deposits are reported net.

During 2020, the Board of Governors of the Federal Reserve System reduced the Company's reserve requirement ratios to zero percent for the years ended December 31, 2023 and 2022. The Federal Reserve Bank does not have plans to reimplement a reserve requirement in the near future, but did reserve the right to require a reserve requirement at a future date.

Investment Securities

The Company classifies its debt securities in one of three categories: (i) trading, (ii) held to maturity, or (iii) available for sale. Trading securities are bought and held principally for the purpose of selling them in the near term. Held to maturity securities are those securities for which the Company has the ability and positive intent to hold until maturity. All other debt securities are classified as available for sale.

Available for sale securities are carried at fair value. Unrealized holding gains and losses, net of the related deferred tax effect, on available for sale securities are excluded from earnings and are reported in other comprehensive income as a separate component of stockholders' equity until realized. Held to maturity securities are carried at amortized cost.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method. The Company has made a policy election to exclude accrued interest from the amortized cost basis of debt securities and report accrued interest in accrued interest receivable in the consolidated balance sheets. A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to debt securities reversed against interest income for the years ended December 31, 2023 and 2022. Accrued interest receivable on debt securities totaled approximately $301,000 and $304,000 as of December 31, 2023 and 2022, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities (Continued)

The Company evaluates available for sale securities in an unrealized loss position to determine if credit-related impairment exists. The Company first evaluates whether it intends to sell or more likely than not will be required to sell an impaired security before recovering its amortized cost basis. If either criteria is met, the entire amount of unrealized loss is recognized in earnings with a corresponding adjustment to the security's amortized cost basis. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is attributable to credit or resulted from other factors. If credit-related impairment exists, the Company recognizes an allowance for credit losses ("ACL"), limited to the amount by which the fair value is less than the amortized cost basis. Any impairment not recognized through an ACL is recognized in other comprehensive income (loss), net of tax, as a non credit-related impairment.

The Company uses a systematic methodology to determine its ACL for debt securities held to maturity considering the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the portfolio. 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 held to maturity portfolio. The Company monitors the held to maturity portfolio on a quarterly basis to determine whether a valuation account would need to be recorded. As of December 31, 2023, the Company had approximately $69,000,000 held to maturity securities, with no related valuation required as of December 31, 2023.

Restricted Equity Securities

The Company is required to maintain an investment in capital stock of various entities. Based on redemption provisions of these entities, the stock has no quoted market value and is carried at cost. At their discretion, these entities may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in these stocks.

Loans

Loans 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 balances less the allowance for credit losses. Interest income is accrued on the outstanding principal balance. Loan origination fees, net of certain direct origination costs of loans are recognized at the time the loan is placed on the books. Because net loan origination fees and costs are not significant and the majority of loans have maturities of one year or less, the results of operations are not materially different than the results which would be obtained by accounting for all loan fees and costs in accordance with generally accepted accounting principles.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due, or at the time the loan is 90 days past due unless the loan is well-secured and in process of collection. 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, unless management believes that the accrued interest is recoverable through the liquidation of collateral. Interest income on nonaccrual loans is subsequently recognized only to the extent cash payments are received until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and the loan has been performing according to the contractual terms for a period of not less than six months.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans (Continued)

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the outstanding principal balances less unearned income, net of deferred fees, origination costs and unaccreted or unamortized non-credit purchase discounts or premiums, respectively. Interest income is accrued on the outstanding principal balance. For all classes of loans, the accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due, unless the loan is well secured and in the process of collection. Interest income on mortgage and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Mortgage loans and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer loans continue to accrue interest until they are charged off, generally between 90 and 120 days past due, unless the loan is in the process of collection. All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income. Interest received on nonaccrual loans is applied against principal until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans

Under the current expected credit loss model, the ACL on loans is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans.

The Company estimates the ACL on loans based on the underlying loans' amortized cost basis, which is the amount at which the financing receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, and net deferred fees or costs, collection of cash, and charge-offs. In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the measurement of ACL. Accrued interest receivable on loans is reported in accrued interest receivable in the consolidated balance sheets and totaled approximately $948,000 and $760,000 at December 31, 2023 and 2022, respectively.

Expected credit losses are reflected in the allowance for credit losses through a charge to provision for credit losses. The Company measures expected credit losses of loans on a collective (pool) basis, when the loans share similar risk characteristics. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions over a period that has been determined to be reasonable and supportable, to the identified pools of loans with similar risk characteristics for which the historical loss experience was observed.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses – Loans (Continued)

Individually Evaluated Assets Loans that do not share risk characteristics are evaluated on an individual basis. For collateral-dependent loans where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of the collateral. The Company may, in the alternative, measure the expected credit loss as the amount by which the amortized cost basis of the loan exceeds the estimated fair value of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized costs basis of the loan exceeds the fair value of the underlying collateral less estimated cost to sell. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan.

Charge-offs and Recoveries Loan losses are charged against the allowance when management believes the collection of a loan's principal is unlikely. Subsequent recoveries are credited to the allowance. If the loan is collateral-dependent, the loss is more easily identified and is charged-off when it is identified, usually based upon receipt of an appraisal. However, when a loan has guarantor support, and the guarantor demonstrates willingness and capacity to support the debt, the Company may carry the estimated loss as a reserve against the loan while collection efforts with the guarantor are pursued. If, after collection efforts with the guarantor are complete, the deficiency is still considered uncollectible, the loss is charged-off and any further collections are treated as recoveries.

Allowance for Credit Losses - Loans (Prior to the Adoption of ASU 2016-13)

Prior to the adoption of ASU 2016-13, the ACL was an amount that represented a reserve for probable incurred losses in the loan portfolio. The ACL was evaluated on a regular basis by management and was based upon management's periodic review of various risks in the loan portfolio highlighted by historical experience, the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions that may affect the borrower's ability to pay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation was inherently subjective as it required estimates that were susceptible to significant revision as more information became available. The ACL evaluation did not include the effects of expected losses on specific loans or groups of loans that were related to future events or expected changes in economic conditions.

The ACL consisted of specific and general components. The specific component included loans management considered impaired and other loans or groups of loans that management classified with higher risk characteristics. For such loans that were classified as impaired, an allowance was established when the discounted cash flows, collateral value, or observable market price of the impaired loan was lower than the carrying value of that loan. The general component covered non-classified loans and was based on historical loss experience adjusted for qualitative factors.

The Company segregated the loan portfolio by type of loan and utilized this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by independent loan reviewers and regulatory authorities, the Company further segregated the loan portfolio by loan grades based on an assessment of risk for a particular loan or group of loans. In establishing allowances, management considered historical loan loss experience but adjusted this data with a significant emphasis on data such as risk ratings, current loan quality trends, current economic conditions, and other factors in the markets where the Company operates. Factors considered include, among others, current valuations of real estate in their markets, unemployment rates, the effect of weather conditions on agricultural related entities, and other significant local economic events.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan Commitments and Financial Instruments

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

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Company's consolidated statements of income. The ACL on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees and is included in other liabilities in the Company's consolidated balance sheets.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation computed principally by the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

	Years
Buildings	39
Furniture and equipment	3-7

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Advertising Costs

Advertising costs are expensed as incurred.

Foreclosed Assets

Foreclosed assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less estimated selling costs. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Costs of improvements are capitalized, whereas costs relating to holding foreclosed assets and subsequent write-downs to the value are expensed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50% the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management’s judgment. Deferred tax assets may be reduced by deferred tax liabilities and a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income (loss).

Stock Compensation Plans

Stock compensation accounting guidance (FASB ASC 718, *Compensation - Stock Compensation)* requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of sharebased compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees’ service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the market price of the Company’s common stock at the date of grant is used for restricted stock awards and stock grants.

As of December 31, 2023 and 2022, 227,000 options were not included in the dilutive calculation due to the fact they would have been anti-dilutive.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Fair values of financial instruments are estimates using relevant market information and other assumptions, as more fully disclosed in Note 14. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Adoption of New Accounting Standards

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

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company was not required to record an adjustment to retained earnings as of January 1, 2023 for the cumulative effect of adopting ASC 326. The Company did record a reclassification adjustment of approximately $159,000 due to an increase in the allowance for credit losses on unfunded commitments and a reduction of approximately $159,000 in the allowance for credit on loans.

In addition, for available for sale debt securities, the new methodology replaces the other-than-temporary impairment model and requires the recognition of an allowance for reductions in a security's fair value attributable to declines in credit quality, instead of a direct write-down of the security when a valuation decline is determined to be other-than-temporary. There was no financial impact related to this implementation. The Company has made a policy election to exclude accrued interest from the amortized cost basis of debt securities and report accrued interest in accrued interest receivable in the consolidated balance sheets.

ASU No. 2022-02 – *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* ("ASU 2022-02"). ASU 2022-02 eliminates the troubled debt restructuring ("TDR") measurement and recognition guidance and requires that entities evaluate whether the modification represents a new loan or a continuation of an existing loan consistent with the accounting for other loan modifications. Additional disclosures relating to modifications to borrowers experiencing financial difficulty are required under ASU 2022-02. ASU 2022-02 also requires disclosure of current-period gross write-offs. The Company adopted this ASU effective January 1, 2023 on a prospective basis.

NOTE 2. SECURITIES

The amortized cost and fair value of securities available for sale and held to maturity are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
December 31, 2023:				
U.S. Government and federal agencies	**$ 1,426,711**	**$ -**	**$ (54,666)**	**$ 1,372,045**
Corporate debt securities	**250,000**	**-**	**(15,263)**	**234,737**
Mortgage-backed securities - GSE residential	**2,220,468**	**-**	**(227,752)**	**1,992,716**
	$ 3,897,179	**$ -**	**$ (297,681)**	**$ 3,599,498**
December 31, 2022:				
U.S. Government and federal agencies	$ 2,013,229	$ 153	$ (65,352)	$ 1,948,030
Corporate debt securities	250,000	-	(9,522)	240,478
Mortgage-backed securities - GSE residential	2,557,501	-	(264,877)	2,292,624
	$ 4,820,730	$ 153	$ (339,751)	$ 4,481,132
Securities Held to Maturity				
December 31, 2023:				
Debt securities:				
U.S. Treasury securities	**$ 7,681,329**	**$ -**	**$ (609,454)**	**$ 7,071,875**
U.S. Government and federal agencies	**38,388,381**	**-**	**(5,873,607)**	**32,514,774**
Mortgage-backed securities - GSE residential	**22,478,973**	**-**	**(3,014,538)**	**19,464,435**
Total debt securities	**$ 68,548,683**	**$ -**	**$ (9,497,599)**	**$ 59,051,084**
December 31, 2022:				
Debt securities:				
U.S. Treasury securities	$ 7,612,856	$ -	$ (693,169)	$ 6,919,687
U.S. Government and federal agencies	38,119,696	-	(6,813,292)	31,306,404
Mortgage-backed securities - GSE residential	23,641,343	-	(2,874,502)	20,766,841
Total debt securities	$ 69,373,895	$ -	$ (10,380,963)	$ 58,992,932

The Company reassessed classification of all investments held as of March 31, 2022 and transferred twenty-three securities with a fair value of $58,768,377 from available for sale to held to maturity. The transfer occurred at fair value. The related unrealized loss of $7,015,621 included in other comprehensive income (loss) remained in other comprehensive income (loss), to be amortized out of other comprehensive income (loss) with an offsetting entry to interest income as a yield adjustment through earnings over the remaining term of the securities. No gain or loss was recorded at the time of transfer.

NOTE 2. SECURITIES (CONTINUED)

The amortized cost and fair value of securities as of December 31, 2023 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 949,535	$ 936,895	$ -	$ -
Due from one to five years	250,000	234,737	5,787,725	5,543,437
Due from five to fifteen years	477,176	435,150	35,122,140	30,051,706
Due after fifteen years	-	-	5,159,845	3,991,506
Mortgage-backed securities - GSE residential	2,220,468	1,992,716	22,478,973	19,464,435
	$ 3,897,179	$ 3,599,498	$ 68,548,683	$ 59,051,084

Securities with a carrying value of approximately $65,372,000 and $35,077,000 at December 31, 2023 and 2022, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

The Company had no sales of securities available for sale or held to maturity during the years ended December 31, 2023 and 2022.

Restricted Equity Securities

Restricted equity securities consist of the following:

	Years Ended December 31,	
	2023	2022
Federal Home Loan Bank stock	**$ 215,500**	$ 144,900
First National Bankers Bankshares stock	**150,120**	150,120
	$ 365,620	$ 295,020

The Company has an investment in the common stock of the Federal Home Loan Bank of Atlanta and First National Bankers Bankshares at December 31, 2023 and 2022. These investments are accounted for by the cost method, which represents par value, and are made for long-term business affiliation reasons. In addition, these investments are subject to restrictions relating to the sale, transfer, or other disposition. Dividends are recognized in income when declared. The estimated fair value of the investments was approximately $365,620 and $295,020, respectively, as of December 31, 2023 and 2022 and, therefore, are not considered impaired.

NOTE 2. SECURITIES (CONTINUED)

The following table shows the gross unrealized losses and fair value of securities, with unrealized losses that are not deemed to be credit-related impaired, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position.

	Less Than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Values	Unrealized Losses
Available for Sale Securities						
December 31, 2023:						
U.S. Government and federal agencies	**$ 396,022**	**$ (904)**	**$ 976,023**	**$ (53,762)**	**$ 1,372,045**	**$ (54,666)**
Corporate debt securities	**-**	**-**	**234,737**	**(15,263)**	**234,737**	**(15,263)**
Mortgage-backed securities - GSE residential	**-**	**-**	**1,992,716**	**(227,752)**	**1,992,716**	**(227,752)**
Total temporarily impaired securities	**$ 396,022**	**$ (904)**	**$ 3,203,476**	**$ (296,777)**	**$ 3,599,498**	**$ (297,681)**
December 31, 2022:						
U.S. Government and federal agencies	$ 494,837	$ (48,433)	$ 907,485	$ (16,919)	$ 1,402,322	$ (65,352)
Corporate debt securities	240,478	(9,522)	-	-	240,478	(9,522)
Mortgage-backed securities - GSE residential	2,292,624	(264,877)	-	-	2,292,624	(264,877)
Total temporarily impaired securities	$ 3,027,939	$ (322,832)	$ 907,485	$ (16,919)	$ 3,935,424	$ (339,751)
Held to Maturity Securities						
December 31, 2023:						
Debt securities:						
U.S. Treasury securities	**$ -**	**$ -**	**$ 7,071,875**	**$ (609,454)**	**$ 7,071,875**	**$ (609,454)**
U.S. Government and federal agencies	**-**	**-**	**32,514,774**	**(5,873,607)**	**32,514,774**	**(5,873,607)**
Mortgage-backed securities - GSE residential	**-**	**-**	**19,464,435**	**(3,014,538)**	**19,464,435**	**(3,014,538)**
Total debt securities	**$ -**	**$ -**	**$ 59,051,084**	**$ (9,497,599)**	**$ 59,051,084**	**$ (9,497,599)**

At December 31, 2023, no ACL was established for investment securities. Substantially all of the unrealized losses on the securities portfolio were the result of changes in market interest rates compared to the date the securities were acquired rather than the credit quality of the issuers or underlying loans. U.S. Treasury and agency securities and agency mortgage-backed securities are issued, guaranteed or otherwise supported by the United States government, an agency of the United States government, or a government sponsored enterprise.

NOTE 2. SECURITIES (CONTINUED)

	Less Than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Values	Unrealized Losses
Held to Maturity Securities						
December 31, 2022:						
Debt securities:						
U.S. Treasury securities	$ 2,852,344	$ (94,710)	$ 4,067,343	$ (598,459)	$ 6,919,687	$ (693,169)
U.S. Government and federal agencies	7,366,809	(1,633,191)	23,939,595	(5,180,101)	31,306,404	(6,813,292)
Mortgage-backed securities - GSE residential	-	-	20,766,841	(2,874,502)	20,766,841	(2,874,502)
Total debt securities	$ 10,219,153	$ (1,727,901)	$ 48,773,779	$ (8,653,062)	$ 58,992,932	$ (10,380,963)

U.S. Treasury obligations. The unrealized losses on the three investments at December 31, 2023 in U.S. Treasury obligations were caused by interest rate increases. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider the investments to be credit-related impaired at December 31, 2023.

U.S. Government and federal agency obligations. The unrealized losses on the twenty-two investments at December 31, 2023 in U.S. Government obligations and direct obligations of the U.S. government agencies were caused by interest rate increases. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider the investments to be credit-related impaired at December 31, 2023.

GSE residential mortgage-backed securities. The unrealized losses on the Company's investments in twenty-two GSE mortgage-backed securities at December 31, 2023 were caused by interest rate increases. The Company purchased the investments at discounts relative to their face amount, and the contractual cash flows of the investments are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider the investments to be credit-related impaired at December 31, 2023.

Corporate debt securities. The unrealized loss on one investment in a corporate debt security was caused by interest rate increases. The contractual term of the investment does not permit the issuer to settle the security at a price less than the amortized cost basis of the investment. Because the Company does not intend to sell the investment and it is not likely that the Company will be required to sell the investment before recovery of the amortized cost basis, which may be maturity, the Company does not consider this investment to be credit-related impaired at December 31, 2023.

NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Portfolio Segmentation

The composition of loans is summarized as follows:

	December 31, 2023	December 31, 2022
Real estate:		
Construction and development	**$ 18,255,228**	$ 14,259,376
Residential	**51,061,721**	46,725,516
Commercial	**77,724,045**	68,014,374
Farmland	**14,280,482**	11,472,301
Commercial	**28,896,511**	19,792,889
Consumer	**4,046,097**	3,276,795
	194,264,084	163,541,251
Allowance for credit losses	**(1,675,456)**	(1,850,716)
Loans, net	**$ 192,588,628**	$ 161,690,535

The loan portfolio was disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are three loan portfolio segments that include real estate, commercial, and consumer. A class is generally determined based on the initial measurement attribute, risk characteristic of the loan, and an entity's method for monitoring and assessing credit risk. Commercial and consumer are separate loan classes. Classes within the real estate portfolio segment include construction and development, residential, commercial, and farmland.

The following describe risk characteristics relevant to each of the portfolio segments and classes:

Real estate - As discussed below, the Company offers various types of real estate loan products. All loans within this portfolio segment and class are particularly sensitive to the valuation of real estate:

- Loans for real estate construction and development are repaid through cash flow related to the operations, sale, or refinance of the underlying property. This portfolio class includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral.

- Residential mortgage loans are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property. This class includes loans that are secured by 1-4 family first mortgages, second liens, or open end real estate loans, such as home equity lines.

- Commercial real estate mortgage loans include owner-occupied commercial real estate loans, owner-occupied construction loans for commercial businesses, and loans secured by income producing properties. Owner-occupied commercial real estate loans to operating businesses are long-term financing of land and buildings. Owner-occupied construction loans for a commercial business are for the development of land or construction of a building. Both of these loans are repaid by cash flow generated from the business operation. Real estate loans for income-producing properties such as office and industrial buildings, and retail shopping centers are repaid from rent income derived from the properties.

- Farmland mortgage loans are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property.

NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Portfolio Segmentation (Continued)

Commercial - The commercial loan portfolio segment includes commercial, financial, and agricultural loans. These loans include those loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or expansion projects. Loans are repaid by business cash flows. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the customers' business operations.

Consumer - The consumer loan portfolio segment includes direct consumer installment loans, overdrafts and other revolving credit loans, and educational loans. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

Allowance for Credit Losses

The following tables detail activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2023 and 2022. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Real Estate	Commercial	Consumer	Unallocated	Total
Allowance for credit losses:					
December 31, 2023					
Beginning balance	$ 198,279	$ 1,243	$ 5,530	$ 1,645,664	$ 1,850,716
Adoption of ASC 326	-	-		(159,000)	(159,000)
Charge-offs	-	-	(21,637)	-	(21,637)
Recoveries	-	-	5,377	-	5,377
Provision (recovery)	988,989	309,133	66,476	(1,364,598)	-
Ending balance	$ 1,187,268	$ 310,376	$ 55,746	$ 122,066	$ 1,675,456
Ending balance - individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Ending balance - collectively evaluated for impairment	$ 1,187,268	$ 310,376	$ 55,746	$ 122,066	$ 1,675,456
Loans:					
Ending balance	$ 161,321,476	$ 28,896,511	$ 4,046,097	$ -	$ 194,264,084
Ending balance - individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Ending balance - collectively evaluated for impairment	$ 161,321,476	$ 28,896,511	$ 4,046,097	$ -	$ 194,264,084

NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Allowance for Credit Losses (Continued)

	Real Estate	Commercial	Consumer	Unallocated	Total
Allowance for credit losses:					
December 31, 2022					
Beginning balance	$ 249,985	$ 1,871	$ 13,534	$ 1,490,128	$ 1,755,518
Charge-offs	-	-	(22,583)	-	(22,583)
Recoveries	175,000	-	6,497	-	181,497
Provision (recovery)	(226,706)	(628)	8,082	155,536	(63,716)
Ending balance	$ 198,279	$ 1,243	$ 5,530	$ 1,645,664	$ 1,850,716
Ending balance - individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Ending balance - collectively evaluated for impairment	$ 198,279	$ 1,243	$ 5,530	$ 1,645,664	$ 1,850,716
Loans:					
Ending balance	$ 140,471,567	$ 19,792,889	$ 3,276,795	$ -	$ 163,541,251
Ending balance - individually evaluated for impairment	$ 571,074	$ -	$ -	$ -	$ 571,074
Ending balance - collectively evaluated for impairment	$ 139,900,493	$ 19,792,889	$ 3,276,795	$ -	$ 162,970,177

Quality Indicators

A description of the general characteristics of the risk grades used by the Company is as follows:

“Pass”: Loans in this risk category involve borrowers of acceptable-to-strong credit quality and risk who have the apparent ability to satisfy their loan obligations. Loans in this risk grade would possess sufficient mitigating factors, such as adequate collateral or strong guarantors possessing the capacity to repay the debt if required, for any weakness that may exist.

“Watch”: Loans in this risk grade are the equivalent of the regulatory definition of “Other Assets Especially Mentioned” classification. Loans in this category possess some credit deficiency or potential weakness, which requires a high level of management attention. Potential weaknesses include declining trends in operating earnings and cash flows and reliance on the secondary source of repayment. If left uncorrected, these potential weaknesses may result in noticeable deterioration of the repayment prospects for the asset or in the Company’s credit position.

“Substandard”: Loans in this risk grade are inadequately protected by the borrower’s current financial condition and payment capability or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the orderly repayment of debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Quality Indicators (Continued)

"Doubtful": Loans in this risk grade have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or orderly repayment in full, on the basis of current existing facts; conditions; and values, highly questionable and improbable. Possibility of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the exposure, its classification as an estimate loss is deferred until its more exact status may be determined. The Company had no loans classified as doubtful at December 31, 2023 or 2022.

"Loss": Loans in this risk grade are considered to be noncollectible and of such little value that their continuance as bankable assets is not warranted. This does not mean the loan has absolutely no recovery value, but rather it is neither practical nor desirable to defer writing off the loan, even though partial recovery may be obtained in the future. Charge-offs against the allowance for loan losses are taken in the period in which the loan becomes uncollectible. Consequently, the Company typically does not maintain a recorded investment in loans within this category. The Company had no loans classified as loss at December 31, 2023 or 2022.

The following table summarizes the risk category of the Company's loan portfolio based upon the most recent analysis performed:

	Pass	Watch	Substandard	Total
December 31, 2023:				
Real estate mortgages:				
Construction and development	**$ 18,255,228**	**$ -**	**$ -**	**$ 18,255,228**
Residential	**50,863,474**	**143,014**	**55,233**	**51,061,721**
Commercial	**76,496,748**	**1,227,297**	**-**	**77,724,045**
Farmland	**12,590,128**	**1,690,354**	**-**	**14,280,482**
Commercial	**28,403,190**	**493,321**	**-**	**28,896,511**
Consumer	**4,036,456**	**9,641**	**-**	**4,046,097**
Total	**$ 190,645,224**	**$ 3,563,627**	**$ 55,233**	**$ 194,264,084**
December 31, 2022:				
Real estate mortgages:				
Construction and development	$ 14,242,814	$ -	$ 16,562	$ 14,259,376
Residential	46,538,811	122,670	64,035	46,725,516
Commercial	66,718,553	1,295,821	-	68,014,374
Farmland	11,407,162	65,139	-	11,472,301
Commercial	18,883,714	909,175	-	19,792,889
Consumer	3,253,221	23,574	-	3,276,795
Total	$ 161,044,275	$ 2,416,379	$ 80,597	$ 163,541,251

NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Past Due Loans

A loan is considered past due if any required principal and interest payments have not been received as of the date such payments were required to be made under the terms of the loan agreement. Generally, management places loans on nonaccrual when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 90 days past due.

The following table provides a summary of current, accruing past due, and nonaccrual loans by portfolio class as of December 31, 2023.

		Past Due Status (Accruing Loans)					
	Current	**30-89 Days**	**90+ Days**	**Total Past Due**	**Nonaccrual with an ACL**	**Nonaccrual without an ACL**	**Total**
December 31, 2023							
Real estate mortgages:							
Construction and land development	**$ 18,255,228**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 18,255,228**
Residential	**51,053,668**	**-**	**8,053**	**8,053**	**-**	**-**	**51,061,721**
Commercial	**77,724,045**	**-**	**-**	**-**	**-**	**-**	**77,724,045**
Farmland	**14,280,482**	**-**	**-**	**-**	**-**	**-**	**14,280,482**
Commercial	**28,828,110**	**-**	**68,401**	**68,401**	**-**	**-**	**28,896,511**
Consumer and other	**4,045,313**	**784**	**-**	**784**	**-**	**-**	**4,046,097**
Total	**$ 194,186,846**	**$ 784**	**$ 76,454**	**$ 77,238**	**$ -**	**$ -**	**$ 194,264,084**

There was no material amount of interest income on nonaccrual loans outstanding that would have been recorded if the loans had been current and performing in accordance with their original terms for the year ended December 31, 2023.

The following table presents the aging of the recorded investment in loans as of December 31, 2022:

		Past Due Status (Accruing Loans)					
	Current	30-59 Days	60-89 Days	90+ Days	Total Past Due	Nonaccrual	Total
December 31, 2022:							
Real estate mortgages:							
Construction and development	$ 14,259,376	$ -	$ -	$ -	$ -	$ -	$ 14,259,376
Residential	46,723,212	-	-	-	-	2,304	46,725,516
Commercial	68,014,374	-	-	-	-	-	68,014,374
Farmland	11,472,301	-	-	-	-	-	11,472,301
Commercial	19,792,889	-	-	-	-	-	19,792,889
Consumer	3,276,795	-	-	-	-	-	3,276,795
Total	$ 163,538,947	$ -	$ -	$ -	$ -	$ 2,304	$ 163,541,251

NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Collateral-Dependent Loans (Formerly Impaired Loans)

Collateral-dependent loans are loans where repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty. If the Company determines that foreclosure is probable, these loans are written down to the lower of cost or collateral value less estimated costs to sell. When repayment is expected to be from the operation of the collateral, the allowance for credit losses is calculated as the amount by which the amortized cost basis of the financial asset exceeds the present value of expected cash flows from the operation of the collateral. The Company may, in the alternative, measure the allowance for credit loss as the amount by which the amortized cost basis of the financial asset exceeded the estimated fair value of the collateral.

The Company had no loans considered as collateral-dependent as of December 31, 2023.

A loan held for investment is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (both principal and interest) from the borrower in accordance with the contractual term of the loan. The following table details the impaired loans, by portfolio class as of December 31, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
December 31, 2022:				
With no related allowance recorded:				
Real estate mortgages:				
Construction and development	$ -	$ -	$ -	$ -
Residential	-	-	-	-
Commercial	571,074	571,074	-	774,424
Farmland	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Total with no related allowance recorded	$ 571,074	$ 571,074	$ -	$ 774,424
With an allowance recorded:				
Real estate mortgages:				
Construction and development	$ -	$ -	$ -	$ -
Residential	-	-	-	-
Commercial	-	-	-	-
Farmland	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Total with an allowance recorded	$ -	$ -	$ -	$ -
Total impaired loans	$ 571,074	$ 571,074	$ -	$ 774,424

Interest income recognized on impaired loans for the year ended December 31, 2022 was approximately $41,000.

NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Modified Loans (Formerly Troubled Debt Restructurings)

When borrowers are experiencing financial difficulty, the Company may make certain loan modifications as part of loss mitigation strategies to maximize expected payment. All loan modifications, renewals, and refinances to loans where borrowers are experiencing financial difficulty are evaluated for modified loans classification. To be classified as a modified loan, the modifications must be in the form of providing an interest rate reduction relative to the current interest rate, principal forgiveness, or an other-than-insignificant payment delay or extension of the maturity of the loan. A modified loan is tracked for twelve months following the modification(s) granted.

The following table presents the amortized cost basis of loans at December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Term Extension	Weighted-Average Term Extension	Total Class of Financing Receivable
Real Estate:			
Commercial	**$ 4,996,415**	**6 months**	**6%**

The Company has not committed to lend additional amounts the borrowers included in the previous table.

There were no loans modified in the last twelve months that were past due or that had a payment default as of December 31, 2023.

TDR Disclosures Prior to Adoption of ASU 2022-02 Prior to the adoption of ASU 2022-02, the Company accounted for a modification to the contractual terms of a loan that resulted in granting concessions to a borrower experiencing financial difficulties as a TDR. As of December 31, 2022 there were $571,074 in loans considered restructured that were not already on nonaccrual. Of the nonaccrual loans at December 31, 2022, there were no loans meeting the criteria for restructured.

The following table summarizes the loans that were modified as a TDR during the year ended December 31, 2022.

	Troubled-Debt Restructurings		
	Number of Loans	Recorded Investment Prior to Modification	Recorded Investment After Modification
December 31, 2022:			
Real estate:			
Commercial	1	$ 571,074	$ 571,074

As December 31, 2022, there were no loans modified as a TDR over the last twelve months that subsequently defaulted.

NOTE 3. LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Related Party Loans

In the ordinary course of business, the Company has granted loans to certain related parties, including executive officers, directors, and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Changes in related party loans are as follows:

	2023	2022
Balance, beginning of year	**$ 676,782**	$ 2,770,615
Advances	**15,407**	13,204
Repayments	**(91,660)**	(2,107,037)
Balance, end of year	**$ 600,529**	$ 676,782

NOTE 4. FORECLOSED ASSETS

A summary of foreclosed assets is presented as follows:

	Years Ended December 31,	
	2023	2022
Balance, beginning of year	**$ 54,339**	$ 475,130
Additions	**312,871**	8,975
Disposals	**(367,210)**	(429,766)
Write-downs	**-**	-
Balance, end of year	**$ -**	$ 54,339

Income and expenses applicable to foreclosed assets include the following:

	Years Ended December 31,	
	2023	2022
Net gain on sales of foreclosed assets	**$ (19,831)**	$ (4,868)
Write-downs on foreclosed assets	**-**	-
	$ (19,831)	$ (4,868)

There was no residential real estate included in foreclosed assets at December 31, 2023 or 2022. There were no residential real estate properties in the process of foreclosure at December 31, 2023 or 2022.

NOTE 5. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31, 2023	December 31, 2022
Land	**$ 2,026,631**	$ 2,016,956
Buildings	**7,423,907**	7,233,865
Furniture, fixtures, and equipment	**3,955,535**	3,855,275
Construction in progress (estimated costs to complete $1,500,000)	**28,750**	12,524
	13,434,823	13,118,620
Accumulated depreciation	**(5,333,623)**	(4,889,567)
	$ 8,101,200	$ 8,229,053

NOTE 6. LEASES

Lease Arrangements

The Company enters into leases in the normal course of business for financial institutions. The Company has two building leases for existing branch locations. The leases have remaining terms of one hundred and eighty-six months and one hundred and fifty-seven months, respectively.

The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has elected not to recognize leases with original lease terms of twelve months or less (short-term leases) on the Company's consolidated balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the implicit rate is not known. The Company's incremental borrowing rate is based on the prime rate that would have been used at the time of lease commencement, adjusted for the lease term and other factors.

Right-of-use asset and lease liability, and the associated balance sheet classifications, are as follows:

	December 31, 2023	December 31, 2022
Classification		
Assets:		
Other assets	**$ 862,995**	$ 911,705
Liabilities:		
Other liabilities	**$ (869,375)**	$ (914,895)

Total operating lease cost and rent expense was $89,338 and $86,538 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6. LEASES (CONTINUED)

Lease Obligations

Future undiscounted lease payments for the Company's operating lease with an initial term of one year or more as of December 31, 2023 are as follows:

	Operating Lease
2024	$ 70,128
2025	71,028
2026	71,028
2027	71,028
2028	71,028
Thereafter	694,318
Total undiscounted lease payments	1,048,558
Less imputed interest	179,183
Net lease liability	$ 869,375

Information related to lease terms and discount rate is summarized as follows:

	December 31	
	2023	2022
Weighted-average remaining lease terms (years):		
Operating leases	**14.56**	15.55
Weighted-average discount rates:		
Operating leases	**2.83%**	2.84%

Cash flow information related to lease liabilities is summarized as follows:

	December 31,	
	2023	**2022**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from lease agreements	**$ 69,228**	$ 66,459

NOTE 7. EMPLOYEE AND DIRECTOR BENEFIT PLANS

Profit Sharing Plan

The Company has a 401(k) Employee Profit Sharing Plan available to all eligible employees, subject to certain minimum age and service requirements. The contributions charged to expense for the years ended December 31, 2023 and 2022 were $172,706 and $140,744, respectively.

Share-Based Compensation Expense

The Company's 2021 Omnibus Equity Incentive stock option plan reserved 247,825 shares of common stock for the granting of options to directors, officers, and employees. Option prices reflect the fair market value of the Company's common stock on the dates the options are granted. The options may be exercised over a period of ten years in accordance with vesting schedules determined by the Board of Directors. There were 20,825 options available for grant at December 31, 2023.

NOTE 7. EMPLOYEE AND DIRECTOR BENEFIT PLANS (CONTINUED)

Share-Based Compensation Expense (Continued)

The fair value of each stock option award is estimated on the date of grant using a Black-Scholes-Merton valuation model that uses the weighted-average assumptions noted in the following table. Expected volatilities are based on S&P Global peer bank trading data. The Company considers historical data and peer group data to estimate option exercises and employee terminations within the valuation model. The expected term of options granted is based on the short-cut method and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the average of the U.S. Treasury yield curve in effect at the time of grant.

	2023	2022
Dividend yield	**N/A**	0.00%
Weighted-average volatility	**N/A**	66.92%
Expected life (in years)	**N/A**	6.5
Annual rate of forfeiture for stock warrants	**N/A**	0.00%
Risk-free interest rate	**N/A**	3.92%

A summary of option activity under the plan and changes during the years then ended is presented below:

	December 31, 2023		December 31, 2022	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	**227,000**	**$ 8.78**	-	$ -
Granted	**-**	**-**	227,000	8.78
Forfeited	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Outstanding at end of year	**227,000**	**$ 8.78**	227,000	$ 8.78
Exercisable at end of year	**22,700**	**$ 8.78**	-	$ -

At December 31, 2023 and 2022, there was $879,409 and $977,000, respectively, in unrecognized compensation cost related to non-vested share-based compensation arrangements to be recognized over the next nine years.

	Options Outstanding			**Options Exercisable**		
Exercise Prices	**Number Outstanding**	**Weighted-Average Remaining Contractual Life in Years**	**Weighted-Average Exercise Price**	**Number Outstanding**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life in Years**
$ 8.78	160,000	9.0	$ 8.78	16,000	$ 8.78	9.0
8.78	67,000	9.0	8.78	6,700	8.78	9.0
	227,000	9.0		22,700		9.0

NOTE 8. DEPOSITS

The aggregate amount of time deposits in denominations of $250,000 or more at December 31, 2023 and 2022 was approximately $17,916,000 and $15,129,000, respectively. The scheduled maturities of time deposits at December 31, 2023 are as follows:

2024	$ 41,378,900
2025	828,975
2026	1,014,091
2027	235,423
2028	-
	$ 43,457,389

At December 31, 2023 and 2022, overdraft demand deposits reclassified to loans totaled $39,309 and $26,296, respectively.

NOTE 9. OTHER BORROWINGS

The Company has available unused lines of credit with various financial institutions totaling approximately $80,051,000 at December 31, 2023.

NOTE 10. INCOME TAXES

The components of income tax expense are as follows:

	Years Ended December 31,	
	2023	2022
Current	**$ 58,857**	$ -
Deferred	**575,351**	505,566
Total income tax expense	**$ 634,208**	$ 505,566

The Company’s income tax expense differs from the amounts computed by applying the federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

	Years Ended December 31,	
	2023	2022
Tax expense at statutory federal rate	**$ 555,007**	$ 434,336
Other	**79,201**	71,230
Income tax expense	**$ 634,208**	$ 505,566

NOTE 10. INCOME TAXES (CONTINUED)

The components of deferred income taxes are as follows:

	Years Ended December 31,	
	2023	2022
Deferred tax assets:		
Allowance for credit losses	**$ 458,614**	$ 462,679
Nonaccrual interest	**5,268**	5,857
Foreclosed assets	**-**	-
Net operating loss carryforward	**386,110**	906,405
Other	**75,249**	119,706
Unrealized loss on securities available for sale	**1,578,554**	1,722,276
	2,503,795	3,216,923
Deferred tax liabilities:		
Depreciation	**153,716**	147,771
Net deferred tax assets	**$ 2,350,079**	$ 3,069,152

The federal income tax returns of the Company are subject to examination by the IRS, generally for three years after they were filed. At December 31, 2023, the Company had available net operating loss carryforwards of approximately $1,112,000 and $3,813,000 for federal and state income tax purposes, respectively. If unused, the carryforwards will expire beginning in 2035.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Loan Commitments

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. A summary of the Company's commitments is as follows:

	December 31,	
	2023	2022
Commitments to extend credit	**$ 40,339,828**	$ 41,507,360
Letters of credit	**$ 511,118**	$ 244,500

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Loan Commitments (Continued)

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 amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the party.

Financial standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

At December 31, 2023 and 2022, the carrying amount of liabilities related to the Company's obligation to perform under financial standby letters of credit was insignificant. The Company has not been required to perform on any financial standby letters of credit, and the Company has not incurred any losses on financial standby letters of credit for the years ended December 31, 2023 and 2022.

The Company 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. 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. The allowance for credit losses for unfunded commitments is separately classified on the consolidated balance sheet within other liabilities.

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

	Allowance for Credit Losses – Unfunded Commitments
December 31, 2023	
Beginning balance	$ -
Adjustment to allowance for the adoption of ASU 2016-13	159,000
Change in unfunded commitments	-
Ending balance	$ 159,000

Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's financial statements.

NOTE 12. CONCENTRATIONS OF CREDIT RISK

Concentration by Geographic Location

The Company originates primarily commercial, residential, and consumer loans to customers in Ware, Pierce, Wayne, and surrounding counties in Georgia, as well as in Highlands, Manatee, Martin, and surrounding counties in Florida. The ability of the majority of the Company's customers to honor their contractual obligations is dependent on the local economies in these areas.

Concentration by Collateral

Eighty-three percent (83%) of the Company's loan portfolio is concentrated in loans secured by real estate. A substantial portion of these loans are secured by real estate located in the Company's primary market areas. In addition, a substantial portion of the other real estate owned is located in those same markets. Accordingly, the ultimate collectability of the Company's loan portfolio and recovery of the carrying amount of other real estate owned are susceptible to changes in market conditions in the Company's market areas. The other significant concentrations of credit by type of loan are set forth in Note 3.

The Company, as a matter of policy, does not generally extend credit to any single borrower or group of related borrowers in excess of the lesser of 25% of the Company's statutory capital base, or approximately $7,672,000.

At various times throughout the year, the Company maintains cash balances with other financial institutions. The Company monitors the capital adequacy of these financial institutions on a quarterly basis.

NOTE 13. REGULATORY MATTERS

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2023, no dividends could be declared or paid without regulatory approval.

The Bank is also subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Management believes as of December 31, 2023 that the Bank meets all capital adequacy requirements to which it is subject.

Quantitative measures established by regulation to ensure capital adequacy required the Bank to maintain minimum amounts and ratios of total common equity Tier 1, Tier 1, and total capital to risk-weighted assets, and of Tier 1 capital to average assets.

As of December 31, 2023, the most recent notifications from the Bank's primary regulator categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events that management believes have changed the Bank's category.

NOTE 13. REGULATORY MATTERS (CONTINUED)

The Bank's actual and required capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023:						
Total Capital to Risk Weighted Assets	**$ 30,688,000**	**14.14%**	**$ 17,361,000**	**8.00%**	**$ 21,701,000**	**10.00%**
Tier 1 Capital to Risk Weighted Assets	**$ 28,854,000**	**13.30%**	**$ 13,021,000**	**6.00%**	**$ 17,361,000**	**8.00%**
CET1 Capital to Risk Weighted Assets	**$ 28,854,000**	**13.30%**	**$ 9,766,000**	**4.50%**	**$ 14,106,000**	**6.50%**
Tier 1 Capital to Average Assets	**$ 28,854,000**	**9.26%**	**$ 12,457,000**	**4.00%**	**$ 15,572,000**	**5.00%**
December 31, 2022:						
Total Capital to Risk Weighted Assets	$ 28,150,000	14.70%	$ 15,315,000	8.00%	$ 19,144,000	10.00%
Tier 1 Capital to Risk Weighted Assets	$ 26,299,000	13.74%	$ 11,486,000	6.00%	$ 15,315,000	8.00%
CET1 Capital to Risk Weighted Assets	$ 26,299,000	13.74%	$ 8,615,000	4.50%	$ 12,444,000	6.50%
Tier 1 Capital to Average Assets	$ 26,299,000	8.30%	$ 12,667,000	4.00%	$ 15,834,000	5.00%

NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic (FASB ASC 820), the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets Measured at Fair Value on a Recurring Basis: Assets measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements		
	Total Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023:				
U.S. Treasury securities	**$ -**	**$ -**	**$ -**	**$ -**
U.S. Government and federal agencies	**1,372,045**	**-**	**1,372,045**	**-**
Corporate debt securities	**234,737**	**-**	**234,737**	**-**
Mortgage-backed securities - GSE residential	**1,992,716**	**-**	**1,992,716**	**-**
Available for sale securities	**$ 3,599,498**	**$ -**	**$ 3,599,498**	**$ -**
December 31, 2022:				
U.S. Treasury securities	$ -	$ -	$ -	$ -
U.S. Government and federal agencies	1,948,030	-	1,948,030	-
Corporate debt securities	240,478	-	240,478	-
Mortgage-backed securities - GSE residential	2,292,624	-	2,292,624	-
Available for sale securities	$ 4,481,132	$ -	$ 4,481,132	$ -

NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Assets Measured at Fair Value on a Nonrecurring Basis: Under certain circumstances, management makes adjustments to fair value for assets although they are not measured at fair value on an ongoing basis. There were no financial instruments carried on the balance sheet by caption and by level in the fair value hierarchy, for which a nonrecurring change in fair value has been recorded.

Quantitative Disclosures for Level 3 Fair Value Measurements

The Company had no Level 3 assets measured at fair value on a recurring or nonrecurring basis at December 31, 2023 or 2022.

NOTE 15. REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the years ended December 31, 2023 and 2022. Items outside the scope of ASC 606 are noted as such.

	2023	2022
Noninterest income:		
Service charges on deposit accounts	**$ 957,990**	$ 881,521
Bank owned life insurance (a)	**133,426**	126,914
Gain on sales premises and equipment (a)	**1,744**	32,380
Gain on foreclosed assets (a)	**19,831**	-
Other operating income	**60,033**	54,021
Total noninterest income	**$ 1,173,024**	$ 1,094,836

(a) Not within scope of ASC 606.

Following is a discussion of key revenues within the scope of Topic 606:

Service charges on deposit accounts: Revenue from service charges on deposit accounts is earned through cash management, ATM fees, overdraft fees, and other deposit-related services. Revenue is recognized for these services either over time, corresponding with deposit accounts' monthly cycle, or at a point in time for transaction-related services and fees. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. Overdraft fees are recognized daily as the transactions occur. ATM fees are recognized concurrently with the delivery of service on a daily basis as transactions occur. This category also includes interchange fees from consumer credit and debit cards processed by card association networks, as well as merchant discounts, and other card-related services. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. Interchange fees and merchant discounts are recognized concurrently with the delivery of service on a daily basis as transactions occur. Payment is typically received immediately or in the following month.

Other operating income: Other operating income consists primarily of safe deposit box rental income, wire transfer fees, and other miscellaneous income. Safe deposit box rental income is recognized on a monthly basis as the Bank's performance obligation for these services are satisfied. Wire transfer fees and other miscellaneous income are typically recognized when received.

NOTE 16. PARENT COMPANY FINANCIAL INFORMATION

The following information presents the condensed balance sheets as of December 31, 2023 and 2022 and statements of income, and cash flows of FSBH CORP for the years then ended.

CONDENSED BALANCE SHEETS

	2023	2022
Assets		
Cash and due from banks	$ 1,579	$ -
Investment in subsidiaries	24,504,381	22,038,060
	$ 24,505,960	$ 22,038,060
Liabilities		
Other liabilities	$ -	$ 69,661
Stockholders' equity	24,505,960	21,968,399
Total liabilities and stockholders' equity	$ 24,505,960	$ 22,038,060

CONDENSED STATEMENTS OF INCOME

	2023	2022
Income, dividends received from subsidiary	$ 78,000	$ -
Expense		
Other operating	6,760	69,661
Income (loss) before equity in undistributed earnings of subsidiary	71,240	(69,661)
Equity in undistributed earnings of subsidiary	1,937,442	1,632,360
Net income	$ 2,008,682	$ 1,562,699

NOTE 16. PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS

	2023	2022
OPERATING ACTIVITIES		
Net income	**$ 2,008,682**	$ 1,562,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of subsidiary	**(1,937,442)**	(1,632,360)
Other operating activities, net	**(69,661)**	69,661
Total adjustments	**2,007,103**	(1,562,699)
Net cash provided by operating activities	**1,579**	-
Net increase in cash	**1,579**	-
Cash at beginning of year	**-**	-
Cash at end of year	**$ 1,579**	$ -