Cornerstone Financial Corporation and Subsidiaries

Consolidated Financial Report
December 31, 2021

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Management's Discussion and Analysis

Comparison of Financial Condition at December 31, 2021 and December 31, 2020

Total assets at December 31, 2021 were $325.6 million, an increase of $52.8 million or 19.35% over December 31, 2020. This change was primarily due to increases in interest-bearing cash balances of $68.7 million, cash and due from banks of $110 thousand, bank owned life insurance of $186 thousand, accrued interest receivable of $149 thousand, and deferred tax asset of $261 thousand. These increases were partially offset by decreases in investments available for sale of $5.8 million, loans held for sale of $3.1 million, loans receivable of $3.6 million, premises and equipment of $292 thousand, FHLB Stock of $18 thousand, operating leases of $268 thousand, other real estate owned of $2.9 million and other assets of $555 thousand.

Gross loans receivable at December 31, 2021, totaled $184.2 million, a decrease of $3.6 million or 1.94% from December 31, 2020. This change was attributable to decreases of $12.1 million in real estate residential loans, $9.5 million in commercial loans and $315 thousand in consumer loans. These decreases were offset by increases of $16.0 million in real estate commercial loans and $2.3 million in construction loans. Non-accrual loans increased to $657 thousand at December 31, 2021, from $649 thousand at December 31, 2020.

The following table provides information regarding risk elements in the loan portfolio as of December 31, 2021 and December 31, 2020:

(In thousands)	December 31, 2021	December 31, 2020
Non-performing assets:		
Loans past due 90 days or more and accruing		
Total loans past due 90 days or more and accruing	-	-
Non-accrual loans:		
Commercial Loans	74	-
Real Estate, Commercial	583	649
Total non-accrual loans	657	649
Restructured loans	20	131
Total non-performing loans	677	780
Real estate owned	-	2,911
Total non-performing assets	$ 677	$ 3,691
Non-performing loans as a percentage of loans	0.37%	0.42%
Non-performing assets as a percentage of loans and real estate owned	0.37%	1.94%
Non-performing assets as a percentage of total assets	0.21%	1.35%

The Company updates the allowance for loan loss model on a quarterly basis to determine the adequacy of the allowance. Management evaluates a variety of factors when establishing the allowance, such as the impact of current economic conditions, diversification of the loan portfolio, delinquency statistics, the Bank's historic loss rates as well as results of independent loan review and related classifications. Each quarter, when calculating the allowance for loan losses, management reviews an updated loan impairment analysis on each problem credit to determine if a specific provision for loan losses is warranted. At December 31, 2021, the Company maintained an allowance for loan loss ratio of 0.75 to period end loans outstanding.

The following table sets forth activity within the Bank's allowance for losses on loans for the years presented:

(In thousands)		December 31, 2021		December 31, 2020
Balance at beginning of year	$	1,382	$	1,391
Provision (credit):				
Commercial		(202)		(103)
Real Estate, Commercial		124		64
Real Estate, Residential		(51)		18
Consumer		(1)		25
Unallocated		-		(4)
Total Provision		(130)		-
Charge-offs:				
Consumer		2		37
Recoveries		139		28
Total Net Charge-offs		(137)		9
Balance at end of period	$	1,389	$	1,382
Period-end loans outstanding	$	184,993	$	187,810
Average loans outstanding	$	184,876	$	186,146
Allowance as a percentage of period-end loans		0.75%		0.74%
Net charge-offs as a percentage of average loans		-0.07%		0.00%

The charge-off in 2021 reflect management's continued efforts to aggressively reduce the level of non-performing assets on the Company's balance sheet. Management's primary focus continues to be managing the company's credit quality while executing on the company's plans that document how the company's non-performing assets will be resolved.

Real estate acquired by foreclosure or by deed in lieu of foreclosure is classified as real estate owned until it is sold. At December 31, 2021 real estate owned totaled $0 as compared to $2.9 million at December 31, 2020.

Investment securities available for sale ("AFS") decreased by $5.8 million from December 31, 2020. During the year the Company experienced $5.0 million in repayments related to the MBS portfolio. The Company also recognized $78 thousand attributed to the amortization of premiums and discounts associated with the MBS portfolio and a change in the fair value of the portfolio of $744 thousand.

Cash and cash equivalents increased by $68.8 million to $107.9 million at December 31, 2021, from $39.1 million at December 31, 2020. This change was due to an increase in interest-bearing cash balances to $68.7 million, coupled with an increase of $116 thousand in cash and due from banks.

Total liabilities at December 31, 2021, amounted to $95.4 million, an increase of $40.5 million or 15.88% from December 31, 2020. This change was primarily related to the increase in total deposits of $47.1 million, offset by decreases in other borrowing of $5.1 million, $236 thousand in other liabilities, subordinated debt of $1.0 million and lease liabilities of $268 thousand.

Total deposits at December 31, 2021, were $291.9 million, an increase of $47.1 million or 19.23% from December 31, 2020. The increase in deposits was attributable to an increase of $21.8 million in non-interest-bearing deposits and $42.9 million in interest-bearing deposits. These increases were partially offset by a decrease of $17.6 million in certificates of deposit.

Shareholders' equity at December 31, 2021, amounted to $30.2 million, an increase of $12.3 million or 68.89% over December 31, 2020. This increase was due to net income of $47 thousand, issuance of common stock net of issuance cost of $13.0 million. These increases were offset by $200 thousand decrease in preferred stock and $535 thousand loss in comprehensive income.

Results of Operations

Net Income. The Company recorded net income for the year ended December 31, 2021, of $47 thousand or $.02 per common and diluted share, as compared to net income of $183 thousand or $.23 per common and diluted share for the same period in 2021. The Company in 2021 experienced decreases in non-interest income of $291 thousand, interest income of $753 thousand and an increase in non-interest expense of $419 thousand.

These were offset by a decrease of $1.1 million in interest expense. The net interest margin for the year ended December 31, 2021 decreased by 16 basis points, to 2.82% as compared to 2.98% for the same period in 2020.

Interest Income. Total interest income amounted to $8.1 million for the year ended December 31, 2021, a decrease of $753 thousand or 8.55% when compared to the same period in 2020. The decrease in interest income was due to a 59 basis point decrease in the average yield on interest earning assets. The average yield on the Company's interest-earning assets was 3.03% for the year ended December 31, 2021, compared to 3.62% for the same period in 2020.

Interest Expense. Total interest expense amounted to $698 million for the year ended December 31, 2021, a decrease of $1.1 million or 60.23% when compared to the same period in 2020. The decrease in interest expense resulted from a decrease in average cost on interest-bearing liabilities. The average cost of interest-bearing liabilities was .28% for the year ended December 31, 2021, as compared to .78% at December 31, 2020.

Allowance for Loan Losses. The Company recorded a credit of $130 thousand provision for loan losses for the year ended December 31, 2021 as compared to no provision at December 31, 2020. The decrease in the provision for loan loss is primarily related to the bank taking a credit due to the excess balance from the allowance for loan loss worksheet based on the bank specific and general pool allocations. In addition, for the years ended December 31, 2021 and December 31, 2020, the Bank originated $10.1 million and $13.1 million, respectively in Paycheck Protection Program ("PPP") loans which are considered low risk, as the loans are guaranteed by the Small Business Association. At December 31, 2021, the Company's allowance for loan losses represented 0.75% of total loans outstanding.

Non-Interest Income. For the year ended December 31, 2021, non-interest income, which is comprised principally of service charges on deposit accounts, bank owned life insurance income, ATM fees, and other miscellaneous fee income totaled $1.4 million, a decrease of $291 thousand or 17.00% when compared to the same period in 2020. This decrease resulted from decreases of $182 thousand from gain on sale of loans, $8 thousand in service charges on deposit accounts, $218 thousand on gain on sale of securities, and $3 thousand in Bank owned life insurance income. These decreases were offset by increases of $104 thousand from the gain on sale of real estate owned and $16 thousand in miscellaneous fee income.

Non-Interest Expense. Non-interest expense, which is comprised principally of salaries and employee benefits, net occupancy costs, FDIC insurance premium expense, advertising costs, data processing costs, professional services and other operating costs for the year ended December 31, 2021, totaled $8.9 million, an increase of $419 thousand or 4.94% when compared to the same period in 2020. This increase was related to increases in salaries and employee benefits of $321 thousand, net occupancy of $61 thousand, data processing of $42 thousand, other real estate owned valuation expense of $100 thousand and other operating expenses of $81 thousand. These increases were offset by decreases in professional services of $39 thousand, loan workout and other loan expenses of $43 thousand, FDIC premium expense of $19 thousand, other real estate expense of $84 thousand and $1 thousand in advertising and promotion.

Income Taxes. The Company recorded an income benefit expense of $45 thousand during year ended December 31, 2021, as compared to an income tax expense of $95 thousand in 2020.

Independent Auditor's Report

Audit Committee
Cornerstone Financial Corporation and Subsidiaries

Opinion
We have audited the consolidated financial statements of Cornerstone Financial Corporation and its subsidiaries (the Company), which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Philadelphia, Pennsylvania
April 26, 2022

CORNERSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share data)	December 31, 2021		December 31, 2020	
Assets:				
Cash and due from banks	$	965	$	849
Interest – bearing cash balances		106,969		38,317
Cash and cash equivalents		107,934		39,166
Investment securities:				
Available for sale, at fair value		12,478		18,280
Loans held for sale		825		3,916
Loans receivable		184,168		187,810
Less allowance for loan losses		1,389		1,382
Loans receivable, net		182,779		186,428
Federal Home Loan Bank stock		219		237
Premises and equipment, net		5,496		5,788
Accrued interest receivable		755		1,087
Right of use asset		1,988		2,256
Deferred tax asset		4,605		4,344
Bank owned life insurance		8,184		7,998
Other real estate owned		-		2,911
Other assets		336		410
Total assets	$	325,599	$	272,821
Liabilities:				
Non-interest-bearing deposits	$	75,498	$	53,745
Interest-bearing deposits		170,675		127,736
Time deposits		45,763		63,375
Total deposits		291,936		244,856
Other borrowings		-		5,100
Subordinated debt		-		1,000
Right of use liability		1,988		2,256
Other liabilities		1,515		1,751
Total liabilities		295,439		254,963
Commitments and contingencies (Note 12)				
Shareholders' equity:				
Series A preferred stock: $0 par value; $1,000 per share stated value, authorized 1,000,000 shares; issued and outstanding 1,900 at December 31, 2021 and December 31, 2020, respectively		1,900		1,900
Series B preferred stock: $0 par value; $20 per share stated value, authorized 10,000 shares; no shares were issued and outstanding at December 31, 2021; 10,000 shares issued and outstanding at December 31, 2020		-		200
Series C preferred stock: $0 par value; $1,000 per share stated value, authorized 1,440 shares; issued and outstanding at December 31, 2021 and at December 31, 2020, respectively		1,440		1,440
Common Stock: $0 par value: authorized 10,000,000 shares; issued and outstanding 2,191,999 at December 31, 2021 and 797,999 at December 31, 2020, respectively		-		-
Additional paid-in capital		38,365		25,375
Accumulated other comprehensive income		110		645
Retained deficit		(11,655)		(11,702)
Total Shareholders' Equity		30,160		17,858
Total Liabilities and Shareholders' Equity	$	325,599	$	272,821

See accompanying notes to consolidated financial statements.

CORNERSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Interest Income		
Interest and fees on loans	$ 7,677	$ 8,251
Interest on investment securities	292	495
Interest on federal funds	86	62
Total interest income	8,055	8,808
Interest Expense		
Interest on deposits	517	1,474
Interest on borrowings	181	281
Total interest expense	698	1,755
Net interest income	7,357	7,053
Credit for loan losses	(130)	-
Net interest income after loan loss provision	7,487	7,053
Non-Interest Income		
Service charges on deposits	55	63
Bank owned life insurance income	186	189
Gain on sale of loans	762	944
Gain on sale of securities	-	218
Gain on sale of other real estate owned	104	-
Miscellaneous fee income	314	298
Total non-interest income	1,421	1,712
Non-Interest Expense		
Salaries and employee benefits	5,504	5,183
Net occupancy	1,341	1,280
Data processing and other service costs	631	589
Professional services	319	358
Advertising and promotion	25	26
Other real estate owned expense	31	115
Other real estate owned valuation allowance	100	-
FDIC expense	175	194
Loan workout and other loan expenses	88	131
Other operating expenses	692	611
Total non-interest expense	8,906	8,487
Income before income taxes	2	278
Income tax (benefit) expense	(45)	95
Net Income	$ 47	$ 183
Net Income attributable to common shareholders	$ 47	$ 183
Net income per share		
Basic	$ 0.03	$ 0.23
Diluted	$ 0.03	$ 0.23
Weighted average shares outstanding		
Basic	1,373	798
Diluted	1,373	798

See accompanying notes to consolidated financial statements.

CORNERSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)		For the Year Ended December 31, 2021		December 31, 2020
Net income	$	47	$	183
Change in unrealized (loss) gain on securities available for sale		(745)		1,460
Related tax expense to change in unrealized (loss) gain on securities available for sale		210		(412)
Comprehensive (loss) income	$	(488)	$	1,231

See accompanying notes to consolidated financial statements.

CORNERSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands)	Series A Preferred Stock	Series B Preferred Stock	Series C Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss) Income	Total
Year ended December 31, 2019	$ 1,900	$ 200	$ 1,440	$ -	$ 25,375	$ (11,885)	$ (403)	$ 16,627
Net income	$ -	$ -	$ -	$ -	$ -	$ 183	$ -	$ 183
Unrealized gain on securities available for sale, net of tax	-	-	-	-	-	-	1,048	1,048
Year ended December 31, 2020	$ 1,900	$ 200	$ 1,440	$ -	$ 25,375	$ (11,702)	$ 645	$ 17,858
Net Income	-	-	-	-	-	47	-	47
Unrealized loss on securities available for sale, net of tax	-	-	-	-	-	-	(535)	(535)
Conversion of preferred stock to common stock	-	(200)	-	-	-	-	-	(200)
Issuance of common stock, net of issuance costs of $950 thousand	-	-	-	-	12,990	-	-	12,990
Year ended December 31, 2021	$ 1,900	$ -	$ 1,440	$ -	$ 38,365	$ (11,655)	$ 110	$ 30,160

See accompanying notes to consolidated financial statements.

CORNERSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the Year Ended December 31, 2021	December 31, 2020
Cash flows from operating activities:		
Net Income	$ 47	$ 183
Adjustments to reconcile net income to net cash Provided by (used in) operating activities:		
Credit for loan losses	(130)	-
Income on bank owned life insurance	(186)	(189)
Depreciation	372	390
Amortization of premiums and discounts, net	77	217
Deferred tax asset	(51)	308
Impairment loss on other real estate owned	100	-
Gain on sale of other real estate owned	(104)	-
Gain on sale of available for sale securities	-	(218)
Origination of loans held for sale	(36,472)	(46,805)
Proceeds from sale of loans	40,325	44,399
Gain on sale of loans	(762)	(944)
Decrease (increase) in accrued interest receivable and other assets	406	(501)
(Decrease) increase in other liabilities	(236)	234
Net cash provided by (used in) operating activities	3,386	(2,926)
Cash flows from investing activities:		
Repayment of available for sale securities	4,980	5,311
Proceeds from sale of available for sale securities	-	8,576
Proceeds from pay down of other real estate owned	-	250
Proceeds from the sale of other real estate owned	2,915	-
Redemption of Federal Home Loan Bank Stock	18	8
Net decrease (increase) in loans	3,779	(11,339)
Purchases of premises and equipment	(80)	(191)
Net cash provided by investing activities	11,612	2,615
Cash flows from financing activities:		
Net increase in deposits	47,080	12,211
Proceeds from borrowings	-	2,600
Principal payments on borrowings	(6,100)	(2,546)
Net proceeds from issuance of common stock	12,990	-
Conversion of preferred stock to common stock	(200)	-
Net cash provided by financing activities	53,770	12,265
Net increase in cash and cash equivalents	68,768	11,954
Cash and cash equivalents at the beginning of the year	39,166	27,212
Cash and cash equivalents at the end of the year	$ 107,934	$ 39,166
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 813	$ 1,768
Cash (received) paid during the year for income taxes	(48)	17
Supplemental non-cash activities:		
Right of Use Assets	268	2,256
Right of Use Liabilities	268	2,256

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Operations

The consolidated financial statements include the accounts of Cornerstone Financial Corporation (the "Company") and its wholly owned subsidiary, Cornerstone Bank (the "Bank"). Cornerstone Financial Corporation was formed in 2008 at the direction of the Board of Directors of the Bank to serve as a holding company for the Bank. The holding company reorganization was completed in January 2009. The Company is subject to regulation and supervision by the Board of Governors of the Federal Reserve System.

The Bank is a state-chartered commercial bank that offers a variety of traditional commercial banking products and services to small and medium-sized businesses, local professionals and individuals, throughout Burlington, Camden and Gloucester counties in New Jersey. The Bank is supervised and regulated by the New Jersey State Department of Banking and Insurance and the Federal Deposit Insurance Corporation ("FDIC"). The Bank's deposits are insured by the FDIC to the extent provided by law.

The business of the Company and the Bank is particularly susceptible to future state and federal legislation and regulation. The banking regulatory agencies conduct periodic examinations to assess the condition of the Bank and have the authority to direct it to take actions relating to any matters noted in those examinations.

The Company is managed as one business segment.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounting and reporting policies of the Company conform with U.S. generally accepted accounting principles ("U.S. GAAP") and predominant practices within the banking industry. The consolidated financial statements of the Company include the accounts of the Bank. Intercompany balances and transactions are eliminated in consolidation.

(b) Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income 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 allowance for loan losses and valuation of the deferred tax asset.

(c) Revenue Recognition

Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The Company adopted the standard as of January 1, 2018 because of its public business entity designation.

The majority of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as the Company's loans, letters of credit and investment securities, as these activities are subject to other U.S. GAAP discussed elsewhere within the Company's disclosures. Descriptions of the Company's revenue-generating activities that are within the scope of ASC 606, which are presented in the Company's income statements as components of non-interest income are as follows:

Service charges on deposit accounts represent general service fees for monthly account maintenance and activity or transaction based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue.

Revenue is recognized when the Company's performance obligation is completed, which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations is generally received at the time the performance obligation is satisfied.

Other non-interest income primarily includes items, such as letter of credit fees, merchant card income, rental income, BOLI income, dividends on FHLB and ACBB stock and other general operating income, none of which are subject to the requirements of ASC 606.

(d) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and amounts due from banks, interest-bearing deposits and federal funds sold. Cash and cash equivalents include any instrument with an original contractual maturity of 90 days or less. Generally, federal funds sold are repurchased the following day.

(e) Investment Securities

Securities are classified as available for sale and are stated at fair value. Changes in unrealized gains and losses relating to available for sale securities are excluded from earnings and reported as accumulated other comprehensive income, a separate component of shareholders' equity, net of tax. Gains and losses are determined using the specific-identification method and are accounted for on a trade-date basis.

The Company evaluates securities for other-than-temporary impairment at least quarterly. When evaluating a security for impairment, the Company considers the length of time and the amount to which the fair value is less than the amortized cost, the investment issuer's creditworthiness and ability to meet its cash flow requirements, the Company's intent to sell, and whether it is more likely than not that the Company will be required to sell an impaired debt security before a recovery of its amortized cost basis.

Other-than-temporary impairment charges are recorded through earnings for the amount of credit losses, regardless of the intent or requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's cash flows and its amortized cost basis.

Non-credit related write-downs to fair value must be recorded as decreases to accumulated other comprehensive income as long as the Company has no intent and it is more likely than not that the Company would not be required to sell an impaired security before a recovery of amortized cost basis. The Company did not have any other-than-temporary impairment for 2021 and 2020.

(f) Loans

Loan origination fees and related direct loan origination costs of completed loans are deferred, and then recognized over the life of the loan as an adjustment of yield reflected as interest income in the consolidated statements of income. The unamortized balances of such net deferred loan origination fees/costs are reported on the Company's consolidated statements of financial condition as a component of loans receivable.

Interest income is recorded on the accrual basis. Loans are reported as non-accrual if they are past due as to principal or interest payments for a period of 90 days or more. Exceptions may be made if a loan is deemed by management to be well collateralized and in the process of collection. Loans that are on a current payment status may also be classified as non-accrual if there is serious doubt as to the borrower's ability to continue interest or principal payments.

When a loan is placed in the non-accrual category, interest accruals cease and uncollected accrued interest receivable is reversed and charged against current interest income.

Non-accrual loans are generally not returned to accruing status until principal and interest payments have been brought current and full collectability is reasonably assured. Payments received on non-accrual loans are to be applied against principal until principal is reduced to zero.

Additional payments are then to be applied against (1) legal and operating expenses associated with the loan, (2) any principal previously charged off, and (3) uncollected interest, in that order.
Impaired loans are measured based on the present value of expected future discounted cash flows, the market price of the loan or the fair value of the underlying collateral if the loan is collateral dependent. The recognition of interest income on impaired loans is the same as for non-accrual loans discussed above.

(g) Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. Net unrealized losses are recognized through a valuation allowance by charges to income.

Mortgage loans held for sale are sold with the mortgage servicing rights released to another financial institution through a correspondent relationship. The correspondent financial institution absorbs all of the risk related to rate lock commitments. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

(h) Allowance for Loan Losses

The allowance for losses on loans is based on management's ongoing evaluation of the loan portfolio and reflects an amount considered by management to be its best estimate of known and inherent losses in the portfolio. Management considers a variety of factors when establishing the allowance, such as the impact of current economic conditions, diversification of the loan portfolio, delinquency statistics, results of loan reviews and related classifications and historic loss rates. In addition, certain individual loans, which management has identified as problematic, are specifically provided for, based upon an evaluation of the borrower's perceived ability to pay, the estimated adequacy of the underlying collateral and other relevant factors. Consideration is also given to examinations performed by regulatory agencies.

Although provisions have been established and segmented by type of loan, based upon management's assessment of their differing inherent loss characteristics, the entire allowance for losses on loans is available to absorb loan losses in any category.

Management uses significant estimates to determine the allowance for loan losses. Since the allowance for loan losses is dependent, to a great extent, on conditions that may be beyond the Company's control, it is at least reasonably possible that management's estimate of the allowance for loan losses and actual results could differ in the near term.

In addition, regulatory authorities, as an integral part of their examinations, periodically review the allowance for loan losses. They may require additions to the allowance based upon their judgments about information available to them at the time of examination. Impaired loans are analyzed on an individual basis to determine potential losses and required reserves. The reserve for the remaining loans in the portfolio is determined using a risk based approach. Internal risk ratings are assigned to each commercial, real estate commercial (including land development), real estate construction, residential real estate, and consumer loan. A general reserve allocation is calculated for each loan portfolio class and then allocated based on the risk rating within each class.

The general reserve allocations are determined based on numerous factors, which include the Company's recent charge-off experience, trends in portfolio delinquency and risk rating migration, changes in economic conditions and underlying collateral and other risk factors.

Historical loss rates are calculated using the last 20 quarters of charge offs. The analysis consists of economic conditions, concentrations of industry, quality of management and systems, general collateral quality, delinquency trends over the last four quarters, loan grade trends over the past four quarters, annual portfolio growth and credit/borrower concentration.

The loans are grouped into the following categories: Commercial loans, Commercial Real Estate loans, Residential Real Estate loans, Construction loans and Consumer loans.

(i) FHLB Stock

The Company is a member of the Federal Home Loan Bank (FHLB), and, as a member, the Company is required to hold a certain amount of FHLB common stock. These equity stocks are non-marketable and are reported at cost on the consolidated statements of financial condition.

The Company evaluates its FHLB common stock for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value. The Company had $219 thousand in FHLB stock at December 31, 2021, and $237 thousand at December 31, 2020.

(j) Premises and Equipment

Premises and equipment are recorded at cost. Depreciation is computed using the straight-line method over the expected useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the useful lives or the remaining lease terms. No events have occurred, nor changes in management's intentions, that would impact the amortization period or recoverability of premises and equipment, including leasehold improvements. Software costs, furniture and equipment have depreciable lives of three 10 years. Buildings have depreciable lives of 40 years. The costs of maintenance and repairs are expensed as they are incurred and renewals and betterments are capitalized.

(k) Bank Owned Life Insurance

Bank Owned Life Insurance ("BOLI") is carried at its aggregate cash surrender value less surrender charges and totaled $8.2 million at December 31, 2021, compared to $8.0 million at December 31, 2020. Income of $186 thousand was recognized on the BOLI during the year ended December 31, 2021, compared to $189 thousand of income recognized on the BOLI during the year ended December 31, 2020. The Bank is the sole beneficiary of the BOLI.

(l) Other Real Estate Owned

Other real estate owned is comprised of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. Other real estate owned is recorded at the fair value of the property, net of estimated selling costs. Costs relating to the development or improvement of the properties are capitalized while expenses related to the operation and maintenance of properties are recorded as an expense as incurred. Gains or losses upon disposition are reflected in earnings as realized. The Company has no other real estate owned at December 31, 2021 and had $2.9 million at December 31, 2020. The Company recorded a gain of $104 thousand on sale of other real estate owned for the year ending December 31, 2021, as compared to recording no gain at December 31, 2020. The Company recorded a $100 thousand valuation allowance expense related to other real estate owned properties at December 31, 2021, as compared to recording no valuation allowance expense related to other real estate owned properties at December 31, 2020.

(m) Leases

The Company recognizes and measures its leases in accordance with ASC 842, Leases. The Company leases real estate for its branch office under various operating lease agreements. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and right of use asset "(ROUA)" at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it's readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of the Company's leases are not readily determinable and accordingly, the Company uses their incremental borrowing rates based on the information available at the commencement date of all leases. The ROUA is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e. present value of the remaining lease payments), plus any unamortized initial direct costs, plus (minus) ant prepaid (accrued) lease payments, less the unamortized balance of any lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

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(n) Earnings per Share

Basic earnings per share is calculated on the basis of net income available to common holders divided by the weighted average number of shares outstanding.

Diluted earnings per share include dilutive potential shares as computed under the treasury stock method using average common stock prices. Diluted earnings per share is calculated on the basis of the weighted average number of shares outstanding, plus the weighted average number of additional dilutive shares that would have been outstanding had all common stock options granted been exercised.

(o) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as operating loss carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is established against deferred tax assets when in the judgment of management, it is more likely than not that such deferred tax assets will not become available. Because the judgment about the level of future taxable income is dependent to a great extent on matters that may, at least in part, be beyond the Company's control, it is at least reasonably possible that management's judgment about the need for a valuation allowance for deferred taxes could change in the near term.

(p) Comprehensive Income

Comprehensive income includes all changes in shareholders' equity during a period, except those resulting from transactions with shareholders. In addition to net income, other components of the Company's comprehensive income include the after-tax effect of changes in net unrealized gain / loss on securities available for sale, changes in unrealized gain / loss on hedging derivative instruments and changes in net actuarial gain / loss on defined benefit post-retirement plans. Comprehensive income is reported in the accompanying consolidated statements of changes in shareholders' equity and consolidated statements of comprehensive income. See Note 4 - Other Comprehensive Income for additional information.

(q) Stock Options

Stock Options are accounted for in accordance with FASB ASC 718 Stock Compensation. This Standard establishes the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. ASC 718 requires an entity to recognize the grant-date fair-value of stock options and other equity-based compensation issued to employees in the consolidated statements of income.

(r) Recent Accounting Pronouncements Not Yet Adopted

The Company is currently evaluating the effect that the following updated standards will have on the consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down.

The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for the Company as of January 1, 2023.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses.* This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. As such, the ASU is effective for the Company as of January 1, 2023.

(3) Investment Securities

A comparison of amortized cost and approximate fair value of investment securities available for sale at December 31, 2021 and 2020, is as follows:

	December 31, 2021			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments available for sale:				
Mortgage Backed Securities	$ 12,324	$ 154	$ -	$ 12,478
Total	$ 12,324	$ 154	$ -	$ 12,478

	December 31, 2020			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments available for sale:				
Mortgage Backed Securities	$ 17,382	$ 898	$ -	$ 18,280
Total	$ 17,382	$ 898	$ -	$ 18,280

The Company believes that it is probable that it will receive all future contractual cash flows and does not intend to sell and will not be required to sell these investment securities until recovery or maturity. The U.S. government agency sponsored securities which are listed have call provisions priced at par if the securities are called prior to their respective maturity dates.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in continuous loss positions at December 31, 2021, is as follows. There were no securities in a loss position at December 31, 2021 and December 31, 2020, respectively.

The Company had no mortgage backed securities with an unrealized loss for a period of less than 12 months at December 31, 2021 and December 31, 2020, respectively. At December 31, 2021 and December 31, 2020, the Company had no mortgage backed securities with an unrealized loss for a period of greater than 12 months.

The Company had a mortgage backed security with aggregate amortized cost totaling $98 thousand at December 31, 2021, and a government agency security with an aggregate amortized cost of $94 thousand at December 31, 2020, pledged to collateralize public deposits under the Governmental Unit Deposit Protection Act.

The following table sets forth the scheduled contractual maturities of investments at December 31, 2021:

	Available for Sale	
(in thousands)	Amortized Cost	Fair Value
After ten years	$ 12,324	$ 12,478
Total	$ 12,324	$ 12,478

(4) Other Comprehensive Income

The change in other comprehensive income (loss) components and related tax effect are as follows for the years ended December 31, 2021 and December 31, 2020:

(in thousands)	2021		
	Before-Tax		Net-of-Tax
Comprehensive income:	Amount	Tax Effect	Amount
Unrealized holding gain arising during the year	$ 153	$ (43)	$ 110
Other comprehensive income	$ 153	$ (43)	$ 110

	2020		
	Before-Tax		Net-of-Tax
Comprehensive income:	Amount	Tax Effect	Amount
Unrealized holding gain arising during the year	$ 898	$ (253)	$ 645
Other comprehensive gain	$ 898	$ (253)	$ 645

(5) Loans Receivable and Allowance for Loan Losses

The Company monitors and assesses the credit risk of its loan portfolio using the classes set forth below. These classes also represent the segments by which the Company monitors the performance of its loan portfolio and estimates its allowance for loan losses.

Commercial loans include short and long-term business loans and commercial lines of credit for the purposes of providing working capital, supporting accounts receivable, purchasing inventory and acquiring fixed assets. The loans generally are secured by these types of assets as collateral and/or by personal guarantees provided by principals of the borrowers.

Commercial real estate loans are generally originated in amounts up to the lower of 75% of the appraised value or cost of the property and are secured by improved property such as multi-family dwelling units, office buildings, retail stores, warehouses, church buildings and other non-residential buildings, most of which are located in the Bank’s market area.

Commercial real estate loans are generally made with fixed interest rates which mature or reprice in five to seven years with principal amortization of up to 25 years.

Residential real estate loans consist of loans secured by one to four-family residences located in the Bank's market area. The Bank has originated one- to four-family residential mortgage loans in amounts up to 80% of the lesser of the appraised value or selling price of the mortgaged property without requiring mortgage insurance. A mortgage loan originated by the Bank, for owner occupied property, whether fixed rate or adjustable rate, can have a term of up to 30 years.

Non-owner occupied property, whether fixed rate or adjustable rate, can have a term of up to 25 years. Adjustable rate loan terms limit the periodic interest rate adjustment and the minimum and maximum rates that may be charged over the term of the loan based on the type of loan.

Construction loans will be made only if there is a permanent mortgage commitment in place. Interest rates on commercial construction loans are typically in line with normal commercial mortgage loan rates, while interest rates on residential construction loans are slightly higher than normal residential mortgage loan rates. These loans usually are adjustable rate loans and generally have terms of up to one year.

Consumer loans include installment loans and home equity loans, secured by first or second mortgages on homes owned or being purchased by the loan applicant. Home equity term loans and credit lines are credit accommodations secured by either a first or second mortgage on the borrower's residential property.

Interest rates charged on home equity term loans are generally fixed; interest on credit lines is usually a floating rate related to the prime rate.

The Bank generally requires a loan to value ratio of less than or equal to 80% of the appraised value, including any outstanding prior mortgage balance.

Loans receivable consist of the following:

(in thousands)	December 31, 2021	December 31, 2020
Commercial	$ 23,869	$ 33,384
Real estate – commercial	95,843	79,778
Real estate – residential	44,950	57,121
Construction	10,755	8,448
Consumer loans	8,751	9,079
Loans receivable (1)	184,168	187,810
Allowance for loan losses	(1,389)	(1,382)
Loans receivable, net	$ 182,779	$ 186,428

(1) Loans receivable balances include deferred fees of $316 thousand and $315 thousand at December 31, 2021 and December 31, 2020, respectively.

Under the New Jersey Banking Act of 1948, the Bank is generally subject to a loans-to-one-borrower limitation of 15% of capital funds. At December 31, 2021 the loans-to-one-borrower limitation was $4.9 million; this excluded an additional 10% of adjusted capital funds, or $3.1 million, which may be loaned if collateralized by readily marketable collateral as defined by regulations. At December 31, 2021, the Bank was in compliance with its loans-to-one-borrower limitation.

The Bank lends primarily to customers in its market area. The majority of loans are mortgage loans secured by real estate. Included as mortgage loans are commercial real estate, conforming residential real estate and real estate loans in excess of Federal National Mortgage Association ("FNMA") loan limits ("jumbo real estate loans").

Accordingly, lending activities could be affected by changes in the general economy, the regional economy or real estate values. At December 31, 2021 and 2020, mortgage loans secured by real estate totaled $140.8 million and $136.9 million, respectively. Mortgage loans represented 77.0% and 73.0% of total loans at December 31, 2021 and 2020, respectively.

A summary of the Company's credit quality indicators is as follows:

Pass- A credit which is assigned a rating of Pass shall exhibit some or all of the following characteristics:

a. Loans that present an acceptable degree of risk associated with the financing being considered as measured against earnings and balance sheet trends, industry averages, etc.
b. Actual and projected indicators and market conditions provide satisfactory evidence that the credit will perform as agreed.
c. Loans to borrowers that display acceptable financial conditions and operating results. Debt service capacity is demonstrated and future prospects are considered good.
d. Loans to borrowers where a comfort level is achieved by the strength of the cash flows from the business or project and the strength and quantity of the collateral or security position (i.e.: receivables, inventory and other readily marketable securities) as supported by a current valuation and/or the strong capabilities of a guarantor.

Special Mention **-** Loans on which the credit risk requires more than ordinary attention by the Loan Officer. This may be the result of some erosion in the borrower's financial condition, the economics of the industry, the capability of management or changes in the original transaction. Loans which are currently sound yet exhibit potentially unacceptable credit risk or deteriorating long term prospects, will receive this classification. Loans which deviate from loan policy or regulations will not generally be classified as special mention, but will be separately reported as an area of concern.

Classified – Classified loans include those considered by the Company to be substandard, doubtful or loss.

An asset is considered "substandard" if it involves more than an acceptable level of risk due to a deteriorating financial condition, unfavorable history of the borrower, inadequate payment capacity, insufficient security or other negative factors within the industry, market or management. Substandard loans have clearly defined weaknesses, which can jeopardize the timely payment of the loan.

Assets classified as "doubtful" exhibit all of the weaknesses defined under the substandard category but with enough risk to present a high probability of some principal loss on the loan, although not yet fully ascertainable in amount.

Assets classified as "loss" are those considered uncollectible or of little value, even though a collection effort may continue after the classification and potential charge-off.

Non-Performing Loans

Non-performing loans consist of non-accrual loans (loans on which the accrual of interest has ceased), loans over 90 days delinquent and still accruing interest, and troubled debt restructures. Loans are generally placed on non-accrual status if, in the opinion of management, collection is doubtful, or when principal or interest is past due 90 days or more, unless the collateral is considered sufficient to cover principal and interest and the loan is in the process of collection.

At December 31, 2021, the Company has two loan relationships totaling $657 thousand in non-accrual status compared to one loan relationship totaling $649 thousand in non-accrual status at December 31, 2020. The Company recognized no interest income on non-accrual loans during the 12 month periods ended December 31, 2021 and 2020.

Payroll Protection Program ("PPP") Loans

On March 27, 2020, in response to the novel coronavirus ("COVID-19") pandemic, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law by President Donald Trump. This legislation created the federal Paycheck Protection Program ("PPP") which permitted eligible business entities to apply for loans through a participating financial institution to cover payroll, rent, and other business expenses during the COVID-19 pandemic. The PPP loans, which are 100% guaranteed by the Small Business Administration ("SBA"), have a maturity of either two or five years, depending on when they were originated, and carry a low interest rate of 1 % throughout the loan term. The vast majority of the Company's PPP loans have a two-year term to maturity.

The SBA may forgive the PPP loans if, among other criteria, at least 60% of the proceeds are used for payroll costs. Also, the borrowers will not have to make any payments for six months following the date of disbursement of the loan, though interest will continue to accrue during the deferment period. The SBA also provided a processing fee per loan to financial institutions who participated in the PPP, with the amount of such fee ranging from 1% to 5% as pre-determined by the SBA dependent upon the size of each respective credit. In addition to the processing fees, the Company recorded related loan origination costs. As of December 31, 2021, the Company had received $537 thousand of nonrefundable loan processing fees related to the loans disbursed as a result of Cornerstone Bank's participation in the PPP initiative. The balance of these fees that have not yet been realized as income, and the related loan origination costs are deferred in accordance with ASC 310-20, Receivables—Nonrefundable Fees and Other Costs and will be amortized to interest and fees on loans and leases on the Consolidated Statements of Income over the life of each respective loan.

During the years ended December 31, 2021 and December 31, 2020, the Company recognized $526 thousand and $430 thousand, respectively, in PPP processing fees within interest and fees on loans and leases on the Consolidated Statements of Income.

As of December 31, 2020, the Company had $8.9 million of net PPP loans outstanding ($13.1 million of gross PPP loans originated, net of deferred PPP processing fees of $430 thousand) with all of these loans being recorded in the commercial loan portfolio classification.

The PPP was extended by legislation adopted in December, 2020. The SBA began accepting new loan applications in January 2021 under the extended PPP program ("the 2021 PPP").The Company reported that through May 10th, 2021 it had received 2021 PPP loan funding approvals through the SBA, and made subsequent loan disbursements, for 92 business customers totaling more than $10.1 million in loans. See Note 12, *COVID-19 Pandemic Implications*, for more details.

As of December 31, 2021, the Company had $3.3 million of net PPP loans outstanding ($10.1 million of gross PPP loans originated, net of deferred PPP processing fees of $525 thousand) with all of these loans being recorded in the commercial loan portfolio classification.

The increase in deferred fees and costs from December 31, 2021 to December 31, 2021 was the result of the collected but unearned PPP loan processing fees related to the PPP loans which the Company processed and disbursed during 2021. PPP loans are included in commercial loans and are fully guaranteed by the SBA; therefore all PPP loans outstanding (net of the related deferred PPP fees) are classified as "pass" within the Company's internal risk rating system as of December 31, 2021.

The following table represents loans by credit quality indicator at December 31, 2021:

(in thousands)	Pass	Special Mention Loans	Classified Loans	Non-Performing Loans	Total
Commercial	$ 23,725	$ 70	$ -	$ 74	$ 23,869
Real Estate, Commercial	94,995	-	265	583	95,843
Real Estate, Residential	44,930	20	-	-	44,950
Construction	10,755	-	-	-	10,755
Consumer	8,751	-	-	-	8,751
Total Loans	$ 183,156	$ 90	$ 265	$ 657	$ 184,168

The following table represents loans by credit quality indicator at December 31, 2020:

(in thousands)	Pass	Special Mention Loans	Classified Loans	Non-Performing Loans	Total
Commercial	$ 33,298	$ 86	$ -	$ -	$ 33,384
Real Estate, Commercial	79,024	-	105	649	79,778
Real Estate, Residential	57,095	-	26	-	57,121
Construction	8,448	-	-	-	8,448
Consumer	9,079	-	-	-	9,079
Total Loans	$ 186,944	$ 86	$ 131	$ 649	$ 187,810

The following table represents past-due loans as of December 31, 2021:

(in thousands)	30-89 Days Past Due And Still Accruing	90 Days Or More Past Due And Still Accruing	Total Past Due And Still Accruing	Accruing Current Balances	Non-Accrual Balances	Total Loan Balances
Commercial	$ -	$ -	$ -	$ 23,795	$ 74	$ 23,869
Real Estate, Commercial	-	265	265	94,995	583	95,843
Real Estate, Residential	-	-	-	44,950	-	44,950
Construction	340	-	340	10,415	-	10,755
Consumer	-	-	-	8,751	-	8,751
Total Loans	$ 340	$ 265	$ 605	$ 182,906	$ 657	$ 184,168
Percentage of total loans	0.17%	0.14%	0.32%	99.04%	.33%	100.00%

The following table represents past-due loans as of December 31, 2020:

(in thousands)	30-89 Days Past Due And Still Accruing	90 Days Or More Past Due And Still Accruing	Total Past Due And Still Accruing	Accruing Current Balances	Non-Accrual Balances	Total Loan Balances
Commercial	$ -	$ -	$ -	$ 33,384	$ -	$ 33,384
Real Estate, Commercial	-	-	-	79,129	649	79,778
Real Estate, Residential	47	-	47	57,074	-	57,121
Construction	-	-	-	8,448	-	8,448
Consumer	-	-	-	9,079	-	9,079
Total Loans	$ 47	$ -	$ 47	$ 187,114	$ 649	$ 187,810
Percentage of total loans	0.02%	0.00%	0.02%	99.63%	0.35%	100.00%

Impaired loans are measured based on the present value of expected future discounted cash flows, the fair value of the loan or the fair value of the underlying collateral if the loan is collateral dependent.

At December 31, 2021, the Company had three impaired loan relationships totaling $942 thousand (including the non-accrual loans discussed above) in which no impaired loans had a related allowance for credit losses. The average balance of impaired loans totaled $771 thousand for 2021 as compared to $863 thousand for 2020, and interest income recorded on impaired loans during the year ended December 31, 2021 totaled $69 thousand as compared to $60 thousand for the year ended December 31, 2020.

At December 31, 2021 there was one loan relationship consisting of two loans totaling $265 thousand that were delinquent 90 days or more and still accruing, as compared to no loan relationships delinquent 90 days or more and still accruing at December 31, 2020.

The following table presents impaired loans by portfolio class at December 31, 2021:

(in thousands)	Recorded Investment	Unpaid Principal Balance (1)	Related Valuation Allowance	Average Annual Recorded Investment	Interest Income Recognized While On Impaired Status
Impaired loans with a valuation allowance:					
Commercial	$ -	$ -	$ -	$ -	$ -
Real Estate, Commercial	-	-	-	-	-
Real Estate, Residential	-	-	-	-	-
Construction	-	-	-	-	-
Consumer	-	-	-	-	-
Subtotal	-	-	-	-	-
Impaired loans with no valuation allowance:					
Commercial	94	7,635	-	34	4
Real Estate, Commercial	848	6,597	-	737	65
Real Estate, Residential	-	178	-	-	-
Construction	-	2,773	-	-	-
Consumer	-	633	-	-	-
Subtotal	942	17,816	-	771	$ 69
Total Impaired loans:					
Commercial	94	7,635	-	34	$ 4
Real Estate, Commercial	848	6,597	-	737	65
Real Estate, Residential	-	178	-	-	-
Construction	-	2,773	-	-	-
Consumer	-	633	-	-	-
Total	$ 942	$ 17,816	$ -	$ 771	$ 69

(1) Unpaid Principal Balance includes historical charge-offs to date.

The following table presents impaired loans by portfolio class at December 31, 2020:

(in thousands)	Recorded Investment	Unpaid Principal Balance (1)	Related Valuation Allowance	Average Annual Recorded Investment	Interest Income Recognized While On Impaired Status
Impaired loans with a valuation allowance:					
Commercial	$ -	$ -	$ -	$ -	$ -
Real Estate, Commercial	-	-	-	-	-
Real Estate, Residential	-	-	-	-	-
Construction	-	-	-	-	-
Consumer	-	-	-	-	-
Subtotal	-	-	-	-	-
Impaired loans with no valuation allowance					
Commercial	26	7,566	-	55	3
Real Estate, Commercial	754	6,504	-	792	56
Real Estate, Residential	-	178	-	-	-
Construction	-	2,773	-	-	-
Consumer	-	632	-	16	1
Subtotal	780	17,653	-	863	$ 60
Total Impaired loans:					
Commercial	26	7,566	-	55	$ 3
Real Estate, Commercial	754	6,504	-	792	56
Real Estate, Residential	-	178	-	-	-
Construction	-	2,773	-	-	-
Consumer	-	632	-	16	1
Total	$ 780	$ 17,653	$ -	$ 863	$ 60

(1) Unpaid Principal Balance includes historical charge-offs to date.

The following tables set forth activity within the Company's allowance for losses by portfolio class during the years ended December 31, 2021 and December 31, 2020:

(in thousands) Allowance for Loan Losses	Commercial	Commercial Real Estate	Residential Real Estate	Construction	Consumer	Unallocated	Total
Beginning Balance, January 1, 2021	$ 381	$ 618	$ 324	$ -	$ 52	$ 7	$ 1,382
Charge-off	-	-	-	-	(2)	-	(2)
Provision (credit)	(202)	124	(51)	-	(1)	-	(130)
Recovery	115	19	-	-	5	-	139
Ending Balance, December 31, 2021	$ 294	$ 761	$ 273	$ -	$ 54	$ 7	$ 1,389

Allowance for Loan Losses	Commercial	Commercial Real Estate	Residential Real Estate	Construction	Consumer	Unallocated	Total
Beginning Balance, January 1, 2020	$ 470	$ 542	$ 306	$ -	$ 62	$ 11	$ 1,391
Charge-off	-	-	-	-	(37)	-	(37)
Provision (credit)	(103)	64	18	-	25	(4)	-
Recovery	14	12	-	-	2	-	28
Ending Balance, December 31, 2020	$ 381	$ 618	$ 324	$ -	$ 52	$ 7	$ 1,382

(in thousands)

Allowance for Loan Losses	Commercial	Commercial Real Estate	Residential Real Estate	Construction	Consumer	Unallocated	Total
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated for impairment	294	761	273	-	54	7	1,389
Ending Balance, December 31, 2021	$ 294	$ 761	$ 273	$ -	$ 54	$ 7	$ 1,389

Loans receivable	Commercial	Commercial Real Estate	Residential Real Estate	Construction	Consumer	Unallocated	Total
Ending balance individually evaluated for impairment	$ 94	$ 848	$ -	$ -	$ -	$ -	$ 942
Ending balance collectively evaluated for impairment	23,775	94,995	44,950	10,755	8,751	-	183,226
Ending Balance, December 31, 2021	$ 23,869	$ 95,843	$ 44,950	$ 10,755	$ 8,751	$ -	$ 184,168

(in thousands)

Allowance for Loan Losses	Commercial	Commercial Real Estate	Residential Real Estate	Construction	Consumer	Unallocated	Total
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated for impairment	381	618	324	-	52	7	1,382
Ending Balance, December 31, 2020	$ 381	$ 618	$ 324	$ -	$ 52	$ 7	$ 1,382

Loans receivable	**Commercial**	Commercial Real Estate	Residential Real Estate	Construction	Consumer	Unallocated	Total
Ending balance individually evaluated for impairment	$ 26	$ 754	$ -	$ -	$ -	$ -	$ 780
Ending balance collectively evaluated for impairment	33,358	79,024	57,121	8,448	9,079	-	187,030
Ending Balance, December 31, 2020	$ 33,384	$ 79,778	$ 57,121	$ 8,448	$ 9,079	$ -	$ 187,810

The Company updates the allowance for loan loss model on a quarterly basis to determine the adequacy of the allowance. Management considers a variety of factors when establishing the allowance, such as the impact of current economic conditions, diversification of the loan portfolio, delinquency statistics, the Bank's historic loss rates, as well as results of independent loan review and related classifications.

For the year ending December 31, 2021, the Company experienced one charge-off of $2 thousand, as compared to two charge-offs of $37 thousand relating to two loan relationships for the year ending December 31, 2020.

The Company modifies loans by offering a restructuring in loan terms that may include, but is not limited to, principal moratorium and interest rate reductions. Of the two loan modifications classified as troubled debt restructurings as of December 31, 2021, all involved a payment restructure which was a concession from the original loan terms.
One of the loans was modified to be interest only payments and the other loan was modified by extension of terms. The total balance of troubled debt restructures as of December 31, 2021 was $603 thousand and $780 million at December 31, 2020.

The Company had no loans which were modified as troubled debt restructurings during the years ended December 31, 2021 and December 31, 2020, respectively. There were no troubled debt restructurings ("TDRS") that subsequently defaulted during 2021 and 2020.

(6) Premises and Equipment

Premises and equipment at December 31, 2021 and 2020, stated at cost less accumulated depreciation and amortization, are summarized as follows:

(in thousands)	2021	2020
Land	$ 2,534	$ 2,534
Buildings	4,407	4,414
Furniture and equipment	725	999
Leasehold improvements	380	373
Cost	8,046	8,320
Accumulated depreciation and amortization	(2,550)	(2,532)
Total	$ 5,496	$ 5,788

Depreciation expense was $372 thousand for the year ended December 31, 2021, and $390 thousand for the year ended December 31, 2020. During 2021, the Company retired fully depreciated assets from office furniture, equipment and software that are no longer in use of $355 thousand, as compared to $196 thousand for the year ended December 31, 2020.

At December 31, 2021, the Medford, Burlington, Mount Laurel and Woodbury offices were leased; these leases include options for renewal. See Note 11 for additional information regarding operating leases.

(7) Deposits

Deposits consist of the following major classifications:

(in thousands)	December 31, 2021		December 31, 2020	
Non-interest-bearing checking accounts	$ 75,499	25.9 %	$ 53,745	21.9 %
Interest-bearing checking accounts	55,253	18.9	50,622	20.7
Statement savings	65,632	22.5	30,801	12.6
Money market demand accounts	49,789	17.2	46,313	19.00
Total core deposits	$ 246,173	84.5 %	$ 181,481	74.2 %
Jumbo certificates of one hundred thousand or more	22,391	7.5	32,033	13.0
Non-jumbo certificates:				
Current maturities of six months or less	8,406	2.9	11,401	4.7
Current maturities of more than six months	14,966	5.1	19,941	8.1
Total time deposits	45,763	15.5	63,375	25.8
Total deposits	$ 291,936	100.0 %	$ 244,856	100.0 %

The weighted average rate on certificates of deposit was 0.39% at December 31, 2021, and 1.11% at December 31, 2020, respectively.

At December 31, 2021 and 2020, aggregate time deposit balances equal to or in excess of $250 thousand were $6.7 million and $8.8 million, respectively.

The aggregate amount of demand accounts overdrawn that are included in loans as of December 31, 2021 and 2020, are $2 thousand and $5 thousand, respectively.

Interest expense on deposits for the years ended December 31, 2021 and 2020, consisted of the following:

(in thousands)	2021	2020
Checking and money market demand accounts	$ 101	$ 148
Statement savings	71	123
Certificates of deposit	345	1,203
Total	$ 517	$ 1,474

The following is a schedule of certificates of deposit by maturities as of December 31, 2021:

(in thousands)		
Year ending December 31,		
2022	$	36,884
2023		5,858
2024		1,692
2025		965
2026		364
Total	$	45,763

Deposits held by related parties, which include officers, directors, and companies in which members of the Board of Directors have a significant ownership interest, approximated $3.7 million and $3.9 million at December 31, 2021 and 2020, respectively.

(8) Borrowings

The Bank is a member of the FHLB. The membership provides the Bank with additional secured borrowing capacity of up to a maximum of 30% of the Bank's total assets, subject to certain conditions. Pursuant to collateral agreements with the FHLB, advances are secured by pledged commercial mortgages from the Company's loan portfolio. At December 31, 2021 and December 31, 2020, respectively, the Bank had no outstanding advances with the FHLB.

The Company, in July of 2020, completed a variety of debt transactions. The first debt transaction relates to the payoff of the existing Company debt obligation with a third party lender in the amount of $2.5 million. The maturity date was July 1, 2020 with interest payable at 5%. The Company paid the obligation in full upon maturity. The next debt transaction relates to the Company's execution of a renewal with a second lender, a Director of the Company, in the amount of $2.5 million. The renewed debt term is 4% payable semi-annually in March and September with a maturity date of September 30, 2021. The Company also issued $2.6 million in new debt to Directors and Executive management of the Company, with the proceeds used to fund the debt payoff discussed above. The terms of the new $2.6 million debt is 4% interest payable semi-annually in March and September, with a maturity date of the debt being September 30, 2021.

As of September 30, 2021 the Company has retired the $5.1 million debt obligation extended to Executive management and directors of the Company.

The Company maintains a $2 million federal funds borrowing facility with Atlantic Community Bankers Bank. As of December 31, 2021, the Company has not drawn on the borrowing facility.

(9) Fair Value

ASC Topic 820 Fair Value Measurements and Disclosures establishes a framework for measuring fair value under U.S. GAAP, and expands disclosure requirements for fair value measurements.

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as described below:

- Level 1. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Level 2 inputs include quoted prices for similar assets, quoted prices in markets that are not considered to be active, and observable inputs other than quoted prices such as interest rates.
- Level 3. Level 3 inputs are unobservable inputs.

The fair value of securities available for sale is determined by obtaining quoted prices on a nationally recognized securities exchange (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

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

Assets and liabilities measured at fair value on a recurring basis are summarized below:

(in thousands)	Fair Value Measurements at December 31, 2021			Fair Value Measurements at December 31, 2020		
	Quoted Prices In Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Other Unobservable Inputs	Quoted Prices In Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Other Unobservable Inputs
	Level (1)	Level (2)	Level (3)	Level (1)	Level (2)	Level (3)
Assets:						
Investment Securities Mortgage Backed Securities Available for sale	$ -	$ 12,478	$ -	$ -	$ 18,280	$ -
Total assets on a recurring basis at fair value	$ -	$ 12,478	$ -	$ -	$ 18,280	$ -

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

(in thousands)	Fair Value Measurements at December 31, 2021			Fair Value Measurements at December 31, 2020		
	Quoted Prices In Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Other Unobservable Inputs Level (3)	Quoted Prices In Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Other Unobservable Inputs Level (3)
Assets :						
Impaired loans	$ -	$ 942	$ -	$ -	$ 780	$ -
Other real estate owned	-	-	-	-	2,911	-
Total assets on a non-recurring basis at fair value	$ -	$ 942	$ -	$ -	$ 3,691	$ -

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach.

The following required disclosure of the estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The estimated fair value of financial instruments at December 31, 2021 and December 31, 2020, was as follows:

		December 31, 2021		December 31, 2020	
(in thousands)	Level In Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	Level 1	$ 107,934	$ 107,934	$ 39,166	$ 39,166
Investments available for sale	Level 2	12,478	12,478	18,280	18,280
Loans held for sale	Level 3	825	832	3,916	3,954
Loans receivable	Level 3	182,779	184,171	186,428	189,866
FHLB stock	Level 3	219	219	237	237
Bank owned life insurance	Level 3	8,184	8,184	7,998	7,998
Accrued interest receivable	Level 2	755	755	1,087	1,087
Total financial assets		$ 313,174	$ 314,573	$ 257,112	$ 260,588

Financial Liabilities:					
Non-interest-bearing deposits	Level 1	$ 75,498	$ 75,498	$ 53,745	$ 53,745
Interest-bearing deposits	Level 2	170,675	170,675	127,736	127,736
Certificates of deposit	Level 2	45,763	45,588	63,375	63,600
Other borrowings	Level 2	-	-	5,100	5,100
Subordinated debt	Level 2	-	-	1,000	1,000
Accrued interest payable	Level 2	10	10	125	125
Total financial liabilities		$ 291,946	$ 291,771	$ 251,081	$ 251,306
		Contract Value	Estimated Fair Value	Contract Value	Estimated Fair Value
Off-balance sheet instruments:					
Commitments to extend credit		$ 33,854	$ -	$ 30,259	$ -

(10) Income Taxes

The Company is subject to U.S. federal income tax, as well as income tax of the state of New Jersey. Income tax expense for the years ended December 31, 2021 and 2020, consisted of the following:

(in thousands)	2021	2020
Federal:		
Deferred	(38)	66
State:		
Current	6	6
Deferred	(13)	23
	$ (45)	$ 95

The following reconciliation is between expected tax expense at the statutory rate of 21% in 2021 and 2020, and actual tax expense:

(in thousands)	2021	2020
At federal statutory rate	$ -	$ 59
Adjustments resulting from:		
State tax, net of federal benefit	(1)	11
Bank owned life insurance	(40)	(40)
Expiration of ASC 718	-	63
Other	(4)	2
	$ (45)	$ 95

A summary of deferred tax assets and liabilities of the Company at December 31, 2021 and 2020, are as follows:

(in thousands)	2021	2020
Deferred tax assets:		
Book bad debt reserves – loans	$ 390	$ 388
NJ depreciation	8	8
NOL Federal	3,972	3,733
NOL- State	1,125	1,045
Deferred compensation	295	280
Other real estate owned impairment	-	261
Reserve for unfunded commitments	8	8
Total deferred tax assets	$ 5,798	$ 5,723
Deferred tax liabilities:		
Tax bad debts	(918)	(880)
Deferred loan costs	(161)	(166)
FAS 115	(43)	(252)
Depreciation	(71)	(81)
Total deferred tax liabilities	(1,193)	(1,379)
Net deferred tax asset	$ 4,605	$ 4,344

As of December 31, 2021 and December 31, 2020 the Company has established no valuation allowance.

As of December 31, 2021, the Company has a state net operating loss carryover of $15.8 million and a federal net operating loss carryover of $18.9 million. Such net operating loss carryovers will begin to expire after December 31, 2033 and after December 31, 2034, respectively, if not utilized.

As of December 31, 2021, the Company had no unrecognized tax benefits or accrued interest and penalties. The Company's policy is to account for interest as a component of interest expense and penalties as a component of other expense.

Federal tax years 2018 through 2021 and state tax years 2017 through 2021 were open for examination as of December 31, 2021.

(11) Right of Use Asset/Liability

The following represents the right-of-use assets and lease liabilities as of December 31, 2021 and December 31, 2020:

	Balance sheet Line Item		12/31/2021 Operating leases	12/31/2020 Operating Leases
Right-of-use assets	Right-of-use assets	$	1,988	2,256
Right-of-use liabilities	Right-of-use liabilities	$	1,988	2,256

Supplemental balance sheet information related to leases was as follows as of December 31, 2021.

Weighted average remaining operating lease terms	9.0 years
Weighted average operating discount rate	0.17%

At December 31, 2021, the Bank was obligated under non-cancelable operating leases, which generally include options to renew, for the Bank's premises in Medford, Burlington, Woodbury and Mt. Laurel, New Jersey and for certain equipment.

Future minimum payments, including anticipated renewals, under these leases for the years 2022 through 2026 and thereafter are as follows:

(in thousands)		
2022	$	323
2023		271
2024		225
2025		225
2026 and thereafter		296
Total	$	1,340

Total lease expense for all leases for the years ended December 31, 2021 and 2020, was $319 thousand and $316 thousand, respectively.

(12) Commitments and Contingencies

COVID – 19 Pandemic Implications

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The outbreak of the Coronavirus adversely impacted commercial activity and contributed to significant declines and volatility in financial markets. If the pandemic is prolonged the adverse impact on the economy could deepen. The continuation of the adverse economic conditions caused by the pandemic could present uncertainty and risk to the Company's activities and its financial results. The Company believes that the economic uncertainties that have arisen could continue to negatively impact interest income and borrowers' ability to make loan payments.

Financial Instruments with Off-balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business. These financial instruments include commitments to extend credit to meet the financing needs of its customers. Commitments issued to potential borrowers from the Company amounted to approximately $33.9 million at December 31, 2021, and $30.03 million at December 31, 2020.

At December 31, 2021, $27.6 million in commitments were at variable rates while $6.3 million were at fixed rates. Such commitments have been made in the normal course of business and at current prevailing market terms. The commitments, once funded, are principally to originate commercial loans and other loans secured by real estate.

Legal Proceedings

At December 31, 2021 and 2020, the Company was neither engaged in any existing nor aware of any significant pending legal proceedings. From time to time, the Company is a party to litigation that arises in the normal course of business. Management does not believe the resolution of this litigation, if any, would have a material adverse effect on the Company's financial condition or results of operation. However, the ultimate outcome of any such matter, as with litigation generally, is inherently uncertain and it is possible that some of these matters may be resolved adversely to the Company.

(13) Related Party Transactions

At December 31, 2021 and 2020, and for the years then ended, the Bank has made no extensions of credit to a director of the Bank or officer of the Bank. At December 31, 2021 the Company had no extensions of credit from its directors, as compared to extensions of credits from its directors totaling $5.1 million at an interest rate of 4% at December 31, 2020.

(14) Stock Option Plan

In April 2000, the Bank's Shareholders approved the Bank's 2000 Stock Option Plan A and Plan B (together, the "Stock Option Plans"). Pursuant to the Stock Option Plans, a total of 77,382 shares of common stock have been reserved for issuance upon exercise of stock options to be granted to officers, directors, key employees and other persons from time to time.

All options expire 10 years from the date of the grant. The exercise price of each option equals the market price of the Company's common stock on the date of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model. There were no new options granted for the years ending December 31, 2021 and 2020.

There was no remaining unrecognized compensation cost relating to non-vested stock-based compensation awards at December 31, 2021.

A summary status of the Company's Stock Option Plans as of December 31, 2021 and 2020, and the changes during the years then ended is as follows:

	2021		2020	
	Shares	Weighted Average Price	Shares	Weighted Average Price
Outstanding, beginning of year	-	$ -	6,588	$ 41.70
Granted	-	-	-	-
Forfeited	-	-	-	-
Expired	-		6,588	41.70
Outstanding, end of year	-	$ -	-	$ -
Options exercisable at December 31,	-	$ -	6,588	$ 41.70

There were no options exercised during the years ended December 31, 2021 and 2020.

In 2021 and 2020, the Company had no stock-based compensation expense.

(15) Private Placement Common Stock Offering and Preferred Stock Issuance

Common Stock

In November 2020, the Company approved a private placement common stock offering to accredited investors. In connection with this offering, the Board of Directors approved the issuance of common stock of the Company to be sold in the stock offering. The Company authorized the issuance of 1,400,000 shares in this offering. The Company sold 1,374,000 shares at $10.00 per share. In September 2021, the Company finalized the offering and received net proceeds of $12.9 million, which included $950 thousand in issuance costs. The Company utilized the proceeds to repay its debt obligations and pushed down $7.4 million to the Bank.

Preferred Stock

In September 2021, a Director of the Company, converted 10 thousand shares, $20 stated value of Preferred Stock B to the Common Stock of Company.

(16) Deferred Compensation Plans

Effective January 1, 2006, the Bank adopted a Nonqualified Deferred Compensation Plan (the "Executive Plan") and the Directors' Fee Deferral and Death Benefit Plan (the "Directors' Plan"). Both plans provide for payments of deferred compensation to participants. The Company recorded $67 thousand in deferred compensation expense for the year ended December 31, 2021, as compared to $35 thousand in deferred compensation expense for the year ended December 31, 2020.

(17) Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can cause certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated 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 the Bank's 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.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), Tier I capital (as defined) to average assets (as defined) and common equity Tier I risk based capital to risk weighted assets.

The final rules implementing Basel Committee on Banking Supervision capital guidelines for U.S. bank (Basel III rules) became effective for the Bank on January 1, 2015, with full compliance with all of the requirements being phased in over multi-year schedule, and fully phased in January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risked based capital ratios. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2021, the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2021, the most recent notification from the FDIC categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action.

The Bank's actual capital amounts and ratios at December 31, 2021 and 2020, are presented in the following table:

(dollars in thousands)	Actual		For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
At December 31, 2021:							
Total Capital (to risk weighted assets)	$ 26,659	15.21 %	$ 18,408	10.50 %	(1)	$ 17,531	10.00 %
Common Equity Tier 1 Risk Based Capital (to risk weighted capital)	26,659	15.21 %	12,272	7.000 %	(1)	11,395	6.50 %
Tier I Capital (to risk weighted assets)	25,241	14.40 %	14,901	8.500 %	(1)	14,025	8.00 %
Tier I Capital (to average assets)	25,241	8.52 %	11,850	4.000 %		14,813	5.00 %
At December 31, 2020:							
Total Capital (to risk weighted assets)	20,100	11.32 %	18,643	10.50 %	(1)	17,755	10.00 %
Common Equity Tier 1 Risked Based Capital (to risk weighted capital	20,100	11.32 %	12,428	7.000 %	(1)	11,541	6.50 %
Tier I Capital (to risk weighted assets)	17,890	10.08 %	15,092	8.500 %	(1)	14,204	8.00 %
Tier I Capital (to average assets)	17,890	6.85 %	10,455	4.000 %		13,068	5.00 %

(1) Includes 2.50% capital conservation buffer.

(18) Dividend Policy

The future dividend policy of the Company is subject to the discretion of the Board of Directors and will be dependent upon a number of factors, including operating results, financial condition and general business conditions.

As a practical matter, unless the Company establishes subsidiaries or operations other than the Bank, dividends from the Bank will be the sole source of income to the Company out of which dividends may be paid. Therefore, the ability of the Company to pay dividends is subject to any legal restrictions on the ability of the Bank to pay dividends to the Company.

Under New Jersey law, the directors of a New Jersey state-chartered bank, such as the Bank, are permitted to declare dividends on common stock only if, after payment of the dividend, the capital stock of the Bank will be unimpaired and either the Bank will have surplus (additional paid-in capital) of not less than 50% of its capital stock or the payment of the dividend will not reduce the Bank's surplus. The Company has not paid a cash dividend on its common stock, and it will not likely pay a cash dividend on its common stock in the foreseeable future.

(19) Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the December 31, 2021, balance sheet date for items that should potentially be required or disclosed in these consolidated financial statements. The evaluation was conducted through April 26, 2022 the date these consolidated financial statements were available for issue.

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Chairman of the Board
Financial Advisor

Gaetano P. Giordano
President & CEO
Vincent Giordano Corporation

J. Mark Baiada
Founder & Chairman
Bayada Home Health Care, Inc.

Gene D'Orazio
President & CEO
Cornerstone Financial Corporation

Ronald S. Murphy
President
Murphy's Markets of South Jersey

Robert A. Kennedy, Jr.
President
Kennedy Companies

Bruce Paparone
President
Bruce Paparone Inc.

Robert C. Wagner
Founder & Managing Partner
Three Rivers Fund Advisors, LLC

Daniel Goldfarb
Portfolio Manager
Mendon Capital Advisors

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Cornerstone Bank

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Executive Vice President
Chief Financial Officer

Joseph Tredinnick
Executive Vice President
Chief Lending Officer

Gerald R. McKee
Senior Vice President
Director of Retail Banking

Brian Ford
Senior Vice President
Credit Officer

Michael A. DiNoia
Senior Vice President
Controller & Secretary

Christine Hubert
Senior Vice President
Compliance Officer

Michael Madison
Senior Vice President
Director of Commercial Banking

Cynthia Taylor-Greaves
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Chief Human Resources Officer

Jerry Silvi
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Director of Residential Lending

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