Consolidated Financial Statements
December 31, 2022 and 2021

Coeur d'Alene Bancorp and Subsidiary

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Independent Auditor's Report

The Board of Directors
Coeur d'Alene Bancorp and Subsidiary
Coeur d'Alene, Idaho

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Coeur d'Alene Bancorp and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for 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 Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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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 the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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.

Eide Bailly LLP

Boise, Idaho
February 27, 2023

	2022	2021
Assets		
Cash and due from banks	$ 15,863,278	$ 60,083,526
Federal funds sold	1,259,000	1,610,000
Total cash and cash equivalents	17,122,278	61,693,526
Time deposits in other banks	1,249,000	1,748,000
Debt securities available for sale, at fair value	110,519,022	93,885,621
Other restricted stock	481,159	421,659
Loans receivable, net of allowance for loan losses of $1,380,253 and $1,368,155 at December 31, 2022 and 2021, respectively	105,345,226	80,487,356
Premises and equipment, net	4,097,323	4,118,058
Bank owned life insurance	3,655,307	3,571,371
Accrued interest receivable	1,057,773	716,561
Goodwill	42,420	42,420
Other assets	844,046	755,918
Total assets	$ 244,413,554	$ 247,440,490
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 222,596,013	$ 219,618,048
Federal Home Loan Bank advances	-	235,765
Subordinated debt	4,925,094	4,903,805
Accrued interest payable	20,243	9,046
Other liabilities	37,306	1,088,718
Total liabilities	227,578,656	225,855,382
Stockholders' Equity		
Common stock par value $5 per share; authorized 5,000,000 shares; issued and outstanding, 1,891,054 in 2022 and 1,888,054 in 2021	9,455,270	9,440,270
Additional paid-in capital	5,692,869	5,655,000
Accumulated earnings	7,606,812	5,990,886
Accumulated other comprehensive income (loss)	(5,920,053)	498,952
Total stockholders' equity	16,834,898	21,585,108
Total liabilities and stockholders' equity	$ 244,413,554	$ 247,440,490

	2022	2021
Interest and Dividend Income		
Loans receivable, including fees	$ 4,806,445	$ 4,893,740
Securities available for sale	1,868,341	1,110,426
Federal funds sold and deposits with other banks	675,209	132,447
Total interest and dividend income	7,349,995	6,136,613
Interest Expense		
Deposits	345,912	200,318
Borrowed funds	262,103	156,146
Total interest expense	608,015	356,464
Net Interest Income	6,741,980	5,780,149
Provision for Loan Losses	-	-
Net interest income after provision for loan losses	6,741,980	5,780,149
Noninterest Income		
Service charges on deposits	157,916	137,860
Gains from sale of securities and CDs	-	122,093
Other income	724,407	724,413
Total noninterest income	882,323	984,366
Noninterest Expenses		
Salaries and employee benefits	2,591,524	2,401,214
Occupancy	412,098	382,024
Equipment	188,486	183,956
Professional services	260,305	249,541
General office expense	150,124	145,055
Advertising	83,327	50,989
Data processing	374,716	345,498
Other operating expenses	844,671	725,063
Total noninterest expenses	4,905,251	4,483,340
Net Income Before Income Taxes	2,719,052	2,281,175
Less: Income Tax Expense	554,720	505,846
Net Income	$ 2,164,332	$ 1,775,329

	2022	2021
Earnings per Share of Common Stock		
Basic	$ 1.14	$ 0.94
Diluted	$ 1.14	$ 0.94
Weighted Average Number of Shares Outstanding During the Period		
Basic	1,890,306	1,886,319
Effects of potentially dilutive common shares	11,015	11,523
Diluted	1,901,321	1,897,842

	2022	2021
Net Income	$ 2,164,332	$ 1,775,329
Other Comprehensive Loss		
Unrealized losses on securities		
Unrealized losses arising during period	(8,125,321)	(1,107,750)
Tax expense	1,706,316	232,628
Less reclassification adjustment for gains included in net income	-	(122,093)
Tax expense	-	25,640
Other comprehensive loss	(6,419,005)	(971,575)
Comprehensive Income (Loss)	$ (4,254,673)	$ 803,754

	Common Stock		Additional		Accumulated Other	
	Number of Shares	Amounts	Paid-In Capital	Accumulated Earnings	Comprehensive Income (Loss)	Total
Balance, December 31, 2020	1,883,054	$ 9,415,270	$ 5,621,566	$ 4,215,557	$ 1,470,527	$ 20,722,920
Net income	-	-	-	1,775,329	-	1,775,329
Share based payment expense	-	-	27,784	-	-	27,784
Common stock issued	5,000	25,000	5,650	-	-	30,650
Other comprehensive loss, net	-	-	-	-	(971,575)	(971,575)
Balance, December 31, 2021	1,888,054	9,440,270	5,655,000	5,990,886	498,952	21,585,108
Net income	-	-	-	2,164,332	-	2,164,332
Share based payment expense	-	-	25,269	-	-	25,269
Stock options exercised	3,000	15,000	12,600	-	-	27,600
Dividend	-	-	-	(548,406)	-	(548,406)
Other comprehensive loss, net	-	-	-	-	(6,419,005)	(6,419,005)
Balance, December 31, 2022	1,891,054	$ 9,455,270	$ 5,692,869	$ 7,606,812	$ (5,920,053)	$ 16,834,898

	2022	2021
Operating Activities		
Net income	$ 2,164,332	$ 1,775,329
Adjustments to reconcile net income		
to net cash from operating activities		
Depreciation and amortization	306,250	295,828
Amortization of right of use asset	56,683	56,683
Share-based payment compensation expense	25,269	27,784
Deferred income (benefit) taxes	33,885	(6,971)
Amortization of investment premiums/discounts, net	748,751	567,054
Increase in cash surrender value life insurance	(83,936)	(85,173)
Net gain on sales of debt securities available for sale and CDs	-	(122,093)
Changes in assets and liabilities		
Accrued interest receivable	(341,212)	(12,875)
Other assets	1,527,620	47,750
Other liabilities	(1,599,818)	(92,748)
Accrued interest payable	11,197	(2,632)
Net Cash from Operating Activities	2,849,021	2,447,936
Investing Activities		
Net decrease in time deposits with other banks	499,000	250,000
Debt securities available for sale		
Purchases	(34,150,841)	(51,716,872)
Proceeds from maturities, calls and principal payments	8,583,868	12,491,663
Net (increase) decrease in loans	(24,857,870)	5,990,411
Proceeds from the issuance of subordinated debt	21,289	4,903,805
Purchases of premises and equipment	(285,515)	(43,434)
Net Cash used for Investing Activities	(50,190,069)	(28,124,427)

	2022	2021
Financing Activities		
Repayment of FHLB advances	(235,765)	(62,500)
Proceeds from stock options exercised	27,600	30,650
Net increase in deposits	2,977,965	51,950,001
Net Cash from Financing Activities	2,769,800	51,918,151
Net Change in Cash and Cash Equivalents	(44,571,248)	26,241,660
Cash and Cash Equivalents, Beginning of Year	61,693,526	35,451,866
Cash and Cash Equivalents, End of Year	$ 17,122,278	$ 61,693,526
Supplemental Disclosure of Cash Flow Information		
Cash payments for		
Income taxes	$ 563,461	$ 504,310
Interest on deposits and borrowed funds	$ 596,818	$ 359,096
Lease payments	$ 80,269	$ 80,893
Noncash Investing and Financing Activities		
Net change in unrealized gain on securities available for sale, net of tax	$ (6,419,005)	$ (875,122)
Dividends declared and not paid	$ 548,406	$ -

Note 1 - Summary of Significant Accounting Policies

Bank Organization

Coeur d'Alene Bancorp was formed on October 1, 2008, to serve as the holding company for bankcda (the Bank). Effective as of October 1, 2008, each share of common stock of the Bank issued and outstanding immediately prior to October 1, 2008, was automatically converted into one share of common stock of the holding company.

The Bank was organized on October 5, 2000 and commenced banking operations on May 17, 2001. The Bank provides a full range of banking services to its commercial and consumer customers through its four branches serving Coeur d'Alene, Post Falls, Hayden, and Kellogg, Idaho, and contiguous areas.

Basis of Consolidation

The December 31, 2022 and 2021, consolidated financial statements include Coeur d'Alene Bancorp and its wholly-owned subsidiary, bankcda (collectively, the Company). All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the date of the balance sheets and certain revenues and expenses for the period. Actual results could differ, either positively or negatively, from those estimates. A material estimate that is particularly susceptible to significant change in the near-term relates to the determination of the allowance for loan losses.

Management believes the allowance for loan losses is adequate. While management uses currently available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, balances due from banks, and federal funds sold, all of which have original maturities of 90 days or less.

Cash on Hand and in Banks

Cash and due from banks consists of vault cash, cash items in the process of collection, and interest-bearing and noninterest-bearing deposits with financial institutions. Cash due from banks also includes cash being held at the Federal Reserve. At various times during the year, these deposits may exceed the FDIC insured limits.

Effective March 26, 2020, the Federal Reserve announced the reduction of the reserve requirement ratio to zero percent across all deposit tiers. Depository institutions that were required to maintain deposits in a Federal Reserve Bank account to satisfy reserve requirements will no longer be required to do so and can use the additional liquidity to lend to individuals and businesses. It is our understanding that the Federal Reserve currently has no current plans to reinstate the reserve requirement. However, the Federal Reserve may adjust reserve requirement ratios in the future if conditions warrant.

Federal Funds Sold

The Bank sells excess funds to financial institutions on an overnight basis.

Time Deposits in Other Banks

Time deposits in other banks mature within five years and are carried at cost. At December 31, 2022 and 2021, time deposits in other banks were $1,249,000 and $1,748,000, respectively. No time deposits in other banks were pledged to secure customer deposits or as collateral for borrowing lines as of December 31, 2022 and 2021.

Debt Securities Available for Sale

Debt securities available for sale consist of U.S. Treasury and U.S. government agency securities, corporate bonds, municipal bonds, and mortgage-backed securities not classified as trading securities nor as held to maturity securities.

Unrealized holding gains and losses, net of tax, on available for sale debt securities are reported as a net amount in accumulated other comprehensive income and are excluded from earnings. Gains and losses on the sale of available for sale debt securities are recorded on the trade date and are determined using the specific identification method.

The Bank follows the accounting guidance related to recognition and presentation of other-than-temporary impairment. This accounting guidance specifies that (a) if a bank does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery; the security would not be considered other-than-temporarily impaired unless there is a credit loss. When a bank does not intend to sell the security, and it is more likely than not that the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. Any write downs would be included in earnings as realized losses. There were no such write downs during the years ended December 31, 2022 and 2021. Premiums and discounts are recognized in interest income using the effective interest method over the period to maturity.

Other Restricted Stock

The Bank is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. At December 31, 2022 and 2021, the carrying value of the FHLB stock was $297,000 and $237,500, respectively.

The Bank is a shareholder of The Independent Bankers Bank (TIB). TIB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. At December 31, 2022 and 2021, the carrying value of the TIB stock was $101,334.

The Bank is a shareholder of Banker's Bank of the West (BBW). BBW stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. At December 31, 2022 and 2021, the carrying value of the BBW stock was $82,825.

Fair Value Measurements

The Company determined the fair value of certain assets in accordance with the provisions of FASB Accounting Standards Codification Topic Accounting Standards Codification 820, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. It is required that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The Standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

Loans

Loans are reported at their outstanding unpaid principal balance adjusted for the allowance for loan losses and any deferred fees and costs on originated loans.

Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using straight line method, which management believes is a reasonable estimate of the effective interest method.

Allowances for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. General components cover non-impaired loans and are based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

A loan is considered impaired when, based on current information and events, it is probable the Company will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial, commercial real estate, residential real estate, and installment loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Major categories of loans are further defined by the Company into portfolio segments identified by the Company including commercial, commercial real estate, residential real estate, installment, and other. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to-income, collateral type and loan-to-value ratios for consumer loans. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

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 or the ability to unilaterally cause the holder to return specific assets.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation over estimated useful lives, which range from 3 to 30 years. Depreciation and amortization expense is computed using the straight-line method for financial statement purposes. Accelerated depreciation methods are used for federal income tax purposes. Normal costs of maintenance and repairs are charged to expense as incurred.

Bank Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the consolidated balance sheets date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill

Goodwill represents the excess of the purchase price of net assets over fair value. The Company assesses goodwill for impairment annually in December, and more frequently in the presence of certain circumstances. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. In connection with the AmericanWest Bank branch acquisition in 2013, the Company recorded goodwill of $42,420. No impairment was recorded for the years ended December 31, 2022 and 2021.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment, intangible assets, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Bank evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2022 and 2021, the unrecognized tax benefit accrual was zero. The Bank will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Bank is no longer subject to Federal tax or state examinations by tax authorities for years before 2019.

Advertising

The Company expenses advertising costs as they are incurred. Advertising costs were $83,327 and $50,989, for the years ended December 31, 2022 and 2021, respectively.

Earnings per Share

Basic earnings per share is net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share includes the dilutive effect of additional shares issued as stock options.

Deferred Compensation

Benefits under deferred compensation contracts are accrued over the period of the employee’s active employment from the time the contract is signed to the employee’s full eligibility date.

Deferred Compensation Agreement

In 2020, the Company entered into a non-qualified deferred compensation plan with an employee. The plan is effective from January 16, 2020 until a distribution event takes place. Under the terms of the agreement, the employee will receive amounts in monthly installments over a period of 10 years, beginning in August 1, 2039. In the event of death prior to August 1, 2039, deferred compensation will be 100% vested and paid out in one lump sum.

The Company has recognized compensation expense of $24,607 for the year ended December 31, 2022, related to the plan, and amounts payable under the plan of $22,853, at December 31, 2021.

Stock Options

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant vesting period. The Company estimates the fair value of each stock-based award on the measurement date using the Black-Scholes option valuation model which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate and dividend yield.

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 debt securities, are reported as separate components of the equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income or loss.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through February 27, 2023, which is the date the audited consolidated financial statements were available to be issued.

Note 2 - Debt Securities Available for Sale

The amortized cost and fair value of securities, with gross unrealized gains and losses, at December 31, 2022 and 2021, respectively, is as follows:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available for sale				
U.S. Treasury and government agencies	$ 55,472,628	$ 891	$ (3,632,400)	$ 51,841,119
Mortgage-backed securities	16,439,473	4,005	(1,105,864)	15,337,614
Municipal bonds	23,038,015	31,516	(1,062,310)	22,007,221
Corporate bonds	23,062,644	-	(1,729,576)	21,333,068
	$ 118,012,760	$ 36,412	$ (7,530,150)	$ 110,519,022

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available for sale				
U.S. Treasury and government agencies	$ 31,468,759	$ 28,418	$ (344,931)	$ 31,152,246
Mortgage-backed securities	14,579,770	32,032	(122,166)	14,489,636
Municipal bonds	21,493,162	1,166,746	(206,740)	22,453,168
Corporate bonds	25,712,347	258,462	(180,238)	25,790,571
	$ 93,254,038	$ 1,485,658	$ (854,075)	$ 93,885,621

Proceeds from the sale and call of these debt securities were $5,400,000 and $6,581,350, for the years ended December 31, 2022 and 2021, respectively. Gross realized gains on sales and calls of debt securities available for sale during the years ended December 31, 2022 and 2021, were $0 and $122,093, respectively. There were no gross realized losses on debt securities sold for the years ended December 31, 2022 and 2021.

The following tables show the gross unrealized losses and fair value of the Company's securities with unrealized losses that are not deemed to be other-than -temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

There were 61 debt securities with unrealized losses at December 31, 2022, not recognized in income.

	December 31, 2022					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities available for sale						
U.S. Treasury and government agencies	$ 25,792,339	$ (1,023,874)	$ 25,845,541	$ (2,608,526)	$ 51,637,880	$ (3,632,400)
Mortgage-backed securities	6,687,496	(212,837)	7,834,927	(893,027)	14,522,422	(1,105,864)
Municipal bonds	18,202,872	(728,930)	2,026,275	(333,380)	20,229,147	(1,062,310)
Corporate bonds	12,333,493	(688,301)	8,999,576	(1,041,275)	21,333,069	(1,729,576)
	$ 63,016,199	$ (2,653,942)	$ 44,706,319	$ (4,876,208)	$ 107,722,519	$ (7,530,150)

There were 33 debt securities with unrealized losses at December 31, 2021, not recognized in income.

	December 31, 2021					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities available for sale						
U.S. Treasury and government agencies	$ 23,005,143	$ (223,254)	$ 5,316,910	$ (121,677)	$ 28,322,053	$ (344,931)
Mortgage-backed securities	9,719,190	(114,850)	824,443	(7,316)	10,543,633	(122,166)
Municipal bonds	3,042,979	(32,073)	-	(174,667)	3,042,979	(206,740)
Corporate bonds	10,549,612	(180,238)	-	-	10,549,612	(180,238)
	$ 46,316,924	$ (550,415)	$ 6,141,353	$ (303,660)	$ 52,458,277	$ (854,075)

The Company adheres to required recognition and presentation guidance for other-than-temporary impairment. The guidance specifies that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery; the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income.

The decline in fair value of investments is attributable to changes in interest rates and illiquidity, and not credit quality. The Company does not have the intent to sell the securities in a loss position and it is likely that it will not be required to sell the securities before their anticipated recovery. Therefore, the Company does not consider these securities to be other than temporarily impaired at December 31, 2022.

At December 31, 2022 and 2021, investment debt securities with a carrying value of $12,466,324 and $13,737,733, respectively, were pledged to customer deposits. At December 31, 2022 and 2021, investment debt securities with a carrying value of $3,167,650 and $3,531,320, respectively, were pledged to the Federal Reserve Bank.

Note 3 - Loans Receivable and Allowance for Loan Losses

Major classifications of loans receivable as of December 31, 2022 and 2021, are as follows:

	2022	2021
Commercial	$ 20,333,645	$ 14,934,795
Commercial Real Estate	61,147,596	50,771,504
Residential Real Estate	18,693,989	9,225,717
Installment	804,177	874,219
Other loans	6,319,337	6,466,896
	107,298,744	82,273,131
Allowance for loan losses	(1,380,253)	(1,368,155)
Fair value discount in acquired loans	(2,132)	(10,740)
Net deferred loan fees and costs	(571,133)	(406,880)
	$ 105,345,226	$ 80,487,356

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

	December 31, 2022				
	Commercial	Commercial Real Estate	Residential Real Estate	Installment and Other	Total
Allowance for Loan Losses					
Balance, Beginning of Period	$ 287,429	$ 863,863	$ 125,405	$ 91,458	$ 1,368,155
Provisions	6,477	(48,452)	60,310	(18,335)	-
Recoveries	11,288	337	-	2,203	13,828
Charge-offs	-	-	-	(1,730)	(1,730)
Balance, End of Period	$ 305,194	$ 815,748	$ 185,715	$ 73,596	$ 1,380,253
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	305,194	815,748	185,715	73,596	1,380,253
Balance, End of Period	$ 305,194	$ 815,748	$ 185,715	$ 73,596	$ 1,380,253
Loans Receivable					
Individually evaluated for impairment	$ 73,350	$ 433,189	$ -	$ -	$ 506,539
Collectively evaluated for impairment	20,260,295	60,714,407	18,693,989	7,123,514	106,792,205
Balance, End of Period	$ 20,333,645	$ 61,147,596	$ 18,693,989	$ 7,123,514	$ 107,298,744

	December 31, 2021				
	Commercial	Commercial Real Estate	Residential Real Estate	Installment and Other	Total
Allowance for Loan Losses					
Balance, Beginning of Period	$ 415,740	$ 760,935	$ 127,532	$ 54,849	$ 1,359,056
Provisions	(135,858)	102,928	(2,127)	35,057	-
Recoveries	7,547	-	-	1,552	9,099
Charge-offs	-	-	-	-	-
Balance, End of Period	$ 287,429	$ 863,863	$ 125,405	$ 91,458	$ 1,368,155
Individually evaluated for impairment	$ 12,853	$ -	$ -	$ -	$ 12,853
Collectively evaluated for impairment	274,576	863,863	125,405	91,458	1,355,302
Balance, End of Period	$ 287,429	$ 863,863	$ 125,405	$ 91,458	$ 1,368,155
Loans Receivable					
Individually evaluated for impairment	$ 101,928	$ 1,497,566	$ -	$ -	$ 1,599,494
Collectively evaluated for impairment	14,832,867	49,273,938	9,225,717	7,341,115	80,673,637
Balance, End of Period	$ 14,934,795	$ 50,771,504	$ 9,225,717	$ 7,341,115	$ 82,273,131

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt including current financial information, historical payment experience, collateral adequacy, credit documentation, public information, current economic trends, and other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial and commercial real estate. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass – Loans classified as pass represent loans that are evaluated and are performing under the stated terms. Pass rated assets are analyzed by the paying capacity, the current net worth, and the value of the loan collateral of the obligor.

Watch – Loans classified as watch possess potential weaknesses that require management attention, but do not yet warrant adverse classification. While the status of a loan placed in this classification may not technically trigger a classification as substandard or doubtful, it is considered a proactive way to identify potential issues and address them before the situation deteriorates further and does result in a loss for the Company.

Substandard – Loans classified as substandard may be inadequately protected by the current net worth, paying capacity of the obligor, or by the collateral pledged. Substandard loans have a well-defined weakness or weaknesses that jeopardize the repayment of the credit as originally contracted. They are characterized by the distinct possibility that the Company will sustain a loss if the deficiencies are not corrected.

Based on the most recent analysis performed, the risk category of loans by loan class as of December 31, 2022 and 2021, respectively, was as follows:

	December 31, 2022			
	Pass	Watch	Substandard	Total
Commercial	$ 19,451,122	$ -	$ 882,523	$ 20,333,645
Commercial real estate	59,183,059	1,515,771	448,766	61,147,596
	$ 78,634,181	$ 1,515,771	$ 1,331,289	$ 81,481,241

	December 31, 2021			
	Pass	Watch	Substandard	Total
Commercial	$ 13,923,460	$ 6,110	$ 1,005,225	$ 14,934,795
Commercial real estate	48,561,352	1,615,883	594,269	50,771,504
	$ 62,484,812	$ 1,621,993	$ 1,599,494	$ 65,706,299

Credit Risk Profile by Class Based on Payment Activity – Residential and Consumer

Residential real estate and consumer loans are managed on a pool basis due to their homogeneous nature. Loans that are delinquent 90 days or more or are not accruing interest are considered nonperforming. The following table presents the recorded investments in residential real estate and installment loans by class based on payment activity as of December 31, 2022 and 2021:

	2022	
	Performing	Nonperforming
Residential real estate	$ 18,693,989	$ -
Installment and other	7,123,514	-
	$ 25,817,503	$ -

	2021	
	Performing	Nonperforming
Residential real estate	$ 9,225,717	$ -
Installment and other	7,341,115	-
	$ 16,566,832	$ -

The following tables summarize the aging of the past due loans by loan class within the portfolio segments as of December 31, 2022 and 2021:

	December 31, 2022		
	Still Accruing		
	30-89 Days Past Due	Over 90 Days Past Due	Nonaccrual Balance
Commercial	$ -	$ -	$ 73,350
Commercial real estate	-	-	53,953
Residential real estate	-	-	-
Total	$ -	$ -	$ 127,303

	December 31, 2021		
	Still Accruing		
	30-89 Days Past Due	Over 90 Days Past Due	Nonaccrual Balance
Commercial	$ 30,081	$ -	$ 101,928
Commercial real estate	-	-	163,404
Residential real estate	38,088	-	-
Total	$ 68,169	$ -	$ 265,332

The following tables summarize individually impaired loans by loan class as of December 31, 2022 and 2021, respectively:

	December 31, 2022				
	Recorded Investment	Unpaid Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Commercial	$ 73,350	$ 107,295	$ -	$ 87,639	$ 34,502
Commercial real estate	433,189	730,623	-	504,728	11,660
	$ 506,539	$ 837,918	$ -	$ 592,367	$ 46,162

	December 31, 2021				
	Recorded Investment	Unpaid Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Commercial real estate	$ 1,497,566	$ 1,770,085	$ -	$ 1,093,198	$ 26,504
	$ 1,497,566	$ 1,770,085	$ -	$ 1,093,198	$ 26,504
	Recorded Investment	Unpaid Principal Balance (1)	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded					
Commercial	$ 101,928	$ 225,672	$ 12,853	$ 115,973	$ -
	$ 101,928	$ 225,672	$ 12,853	$ 115,973	$ -

(1) Represents the borrower's loan obligation, gross of any previously charged-off amounts and interest payments applied to principal due to the loan being on nonaccrual status.

Impaired loans also include loans modified in a troubled debt restructuring (TDR) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collections. Loans modified in a TDR that were fully paid down, charged off or foreclosed upon by period end are not reported in the following paragraph. The unpaid balance is inclusive of all partial pay-downs and charge-offs since the loan modification. The balance in the ALLL represents any specific component of the allowance for loan losses associated with these loans.

There were no loans modified in a TDR during the years ended December 31, 2022 and 2021.

There were no troubled debt restructurings (TDRs) that subsequently defaulted during the years ended December 31, 2022 and 2021.

The Bank has made no commitments to lend additional funds on restructured loans.

Related Party Loans

Loans to officers, directors, and their affiliates are subject to regulatory limitations. The terms of these loans, including interest rates and collateral, are similar to those prevailing for comparable transactions and do not involve more than a normal amount of credit risk. Such transactions were within the regulatory limitations. The activity for these loans for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Balance, beginning of year	$ 263,387	$ 629,519
Principal additions	414,409	-
Principal payments	(118,781)	(366,132)
Aggregate amount of related party loans	$ 559,015	$ 263,387

Note 4 - Premises and Equipment

Major classifications of premises and equipment at December 31, 2022 and 2021, are summarized as follows:

	2022	2021
Buildings and building improvements	$ 4,763,584	$ 4,588,311
Land	779,578	745,120
Furniture, fixtures, and equipment	1,279,406	1,246,761
Construction in progress	1,945	25,000
Total cost	6,824,513	6,605,192
Less accumulated depreciation	2,727,190	2,487,134
Net book value	$ 4,097,323	$ 4,118,058

Depreciation and amortization expense for the years ended December 31, 2022 and 2021, was $306,250 and $295,828, respectively.

Note 5 - Leases

The Company leases certain bank premises and equipment for various terms under long-term, non-cancelable operating lease and finance lease arrangements. The leases expire at various dates through September 1, 2029 and provide for renewal options ranging from 5-10 years. The Company included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Company estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Company's applicable borrowing rates and the contractual lease term.

Total right-of-use assets and lease liabilities at December 31, 2022 and 2021, are as follows:

Lease Assets	Classification	2022	2021
Operating right-of-use assets	Other assets	$ 404,173	$ 464,799
Financing right-of-use assets	Premises and equipment	553	14,231
Lease Liabilities	**Classification**	**2022**	**2021**
Operating lease liabilities	Other liabilities	$ 419,425	$ 477,292
Financing lease liability	Other liabilities	1,068	14,714

Total lease costs for the years ended December 31, 2022 and 2021, are as follow:

	2022	2021
Operating lease cost	$ 67,200	$ 67,200
Finance lease cost		
Interest expense	112	377
Amortization of right-of-use assets	13,069	13,316

The following summarizes the supplemental cash flow information for the years ended December 31, 2022 and 2021:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 67,200	$ 67,200
Operating cash flows from financing leases	112	377
Financing cash flows from finance leases	13,069	13,316
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$ -	$ -
Financing leases	-	-

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	2022	2021
Weighted-avearge remaining lease term		
Operating leases	6.75 years	7.75 years
Financing leases	0.11 years	1.11 years
Weighted-average discount rate		
Operating leases	2.07%	2.07%
Financing leases	1.72%	1.72%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are as follows:

Years Ending December 31,	Operating	Financing
2023	$ 67,200	$ 934
2024	67,200	-
2025	67,200	-
2026	67,200	-
2027	67,200	-
Thereafter	113,494	-
Total lease payments	449,494	934
Less interest	30,069	3
Present value of lease liabilities	$ 419,425	$ 931

Note 6 - Investment in Life Insurance Contracts

The Company is the owner and the beneficiary of life insurance policies on certain current and former directors and officers of the Bank, with aggregate death benefits of $8,410,794 and $8,422,128, as of December 31, 2022 and 2021, respectively. The cash surrender value on the policies amounted to $3,655,307 and $3,571,371, as of December 31, 2022 and 2021, respectively.

Note 7 - Deposits

Major classifications of deposits at December 31 are as follows:

	2022	2021
Noninterest-bearing demand	$ 64,784,200	$ 72,564,358
Interest-bearing demand	65,975,854	57,029,030
Money market	55,462,330	53,125,009
Savings	31,791,814	30,768,168
Certificates of deposit	4,581,815	6,131,483
	$ 222,596,013	$ 219,618,048

The aggregate amount of certificates of deposit that meet or exceed the FDIC insurance limit of $250,000 was $0 and $408,082, at December 31, 2022 and 2021, respectively.

The following is a schedule by year of maturities for time deposits at December 31:

Years Ending December 31,	
2023	$ 2,741,273
2024	1,028,088
2025	106,416
2026	400,630
2027	305,408
	$ 4,581,815

Deposits are established in the normal course of business by various officers and directors of the Company. The terms of these deposits, including interest rates, are similar to those prevailing for comparable transactions. These deposits totaled $1,701,796 and $1,018,008, at December 31, 2022 and 2021, respectively.

Note 8 - Federal Funds Purchased and Other Borrowed Funds

The Company has unsecured operating lines of credit with Pacific Coast Bankers' Bank, Bankers' Bank of the West, and The Independent Bankers' Bank in the amounts of $5,000,000, $3,500,000, and $2,000,000, respectively. At December 31, 2022 and 2021, there were no outstanding balances under the Company's operating line agreements. Interest varies based on the federal funds purchased rates.

Federal Home Loan Bank borrowings are secured by commercial real estate loans and investments. The value of the pledged real estate loans as of December 31, 2022 and 2021, was $6,828,843 and $7,373,376, respectively. There were no outstanding borrowings with the Federal Reserve Bank at December 31, 2022 and 2021. The rate of the primary credit line was 4.5% at December 31, 2022.

On June 17, 2021, the Company took out $5,000,000 of subordinated debt from Pacific Western Bank. The interest rate is fixed at 4.50% and interest is to be paid semi-annually in June and December of each year with payments on the principal balance due upon maturity. The note has a maturity date of June 30, 2031. The note at December 31, 2022 and 2021, has an outstanding balance of $4,925,094 and 4,903,805, respectively.

Note 9 - Commitments and Contingencies

Contingencies

In the normal course of its business, the Company may become involved in litigation. In the opinion of management, based upon discussion with legal counsel, liabilities, if any, arising from these proceedings would not have a material adverse effect on the Company's consolidated financial position.

Commitments to Extend Credit

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not presented in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees and commitments to extend credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment letter. Commitments generally have fixed expiration dates or other termination clauses and may require a fee payment. 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 Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include debt securities, accounts receivable, inventory, fixed assets, and/or real estate properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

	2022	2021
Unused lines of credit	$ 14,084,000	$ 14,429,000
Construction loan commitments	11,237,000	11,410,000
Letters of credit	1,572,000	-
Commitments to extend credit	$ 26,893,000	$ 25,839,000

A reserve for probable losses is maintained for the Company's unfunded commitments. As of December 31, 2022 and 2021, the balance of the reserve was $25,000. The reserve for probable losses is included in other liabilities.

Note 10 - Income Taxes

The components of income tax expense consist of the following:

	2022	2021
Current Tax Expense		
Federal	$ 528,734	$ 511,083
State	(7,899)	1,734
Deferred Tax (Benefit) Expense		
Federal	25,986	(5,237)
State	7,899	(1,734)
Income tax expense	$ 554,720	$ 505,846

The components of the net deferred income tax asset and liability balances in the consolidated balance sheets are as follows:

	2022	2021
Deferred Income Tax Assets		
Allowance for loan losses	$ 218,913	$ 222,273
Organizational expenses	19,946	26,774
Nonaccrual loan interest	-	53,442
Net unrealized loss on available for sale securities	1,573,685	-
Other	94,427	27,511
Total deferred income tax assets	1,906,971	330,000
Deferred Income Tax Liabilities		
Accumulated depreciation	(82,735)	(11,046)
Deferred loan fees	-	(28,519)
Prepaid expenses	-	(19,435)
Net unrealized gain on available for sale securities	-	(132,632)
Total deferred income tax liabilities	(82,735)	(191,632)
Net deferred tax asset	$ 1,824,236	$ 138,368

The net deferred income tax asset is recorded in other assets in the consolidated balance sheets at December 31, 2022 and 2021. No valuation allowance was considered necessary as of December 31, 2022 and 2021.

The income tax benefit recorded differs from the expected income tax benefit and the reconciliation of these differences is as follows:

	2022	2021
Federal income tax expense at statutory rates	$ 535,951	$ 447,124
Effect of permanent differences	(156,854)	(110,578)
Effect of state income taxes, net of federal benefit	162,903	148,017
Prior year over / (under) accrual	5,259	31,602
Other	7,461	(10,319)
Income tax expense	$ 554,720	$ 505,846

Note 11 - Employee Retirement Plan and Incentive Programs

The Company maintains a 401(k) plan (the Plan) covering all employees who have completed three consecutive full calendar months of employment. The Plan provides for employees to contribute amounts equal to the Internal Revenue Code limits. The Company contributes 3% of the employee's compensation per year. All contributions are immediately vested. The Company contributed $62,069 and $55,822, for the years ended December 31, 2022 and 2021, respectively.

Note 12 - Share Based Awards

The 2011 Equity Compensation Plan allows for awards to include stock options, restricted stock grants, or stock appreciation rights. The stock options and restricted stock grants vest over a period ranging from one to five years. The Company did not issue any stock options in 2022. The Company issued 10,000 stock options in 2021. At December 31, 2022, there were 61,369 options outstanding and no options available for future grants.

The 2021 Equity Compensation Plan allows for awards to include stock options, restricted stock grants, or stock appreciation rights. The stock options and restricted stock grants vest over a period ranging from one to five years. The Company has not granted any options under the 2021 plan. The plan authorizes 250,000 shares available for award of all types.

The plan limits the number of shares in the form of options and grants available to be granted to Directors to 50,000 shares. During 2022 and 2021, no options or unrestricted stock shares were granted to Directors. The per option price for options granted is the fair market value of the shares on the date the option is granted.

The fair value of each option award is estimated on the date of grant using a Black Scholes option-pricing model. The Company uses historical option exercise and termination data to estimate the expected term the options are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is calculated using historical dividend amounts and the stock price at the option issue date.

	2021
Weighted average risk-free interest rate	1.27%
Weighted average expected lives for the options granted	10.00
Dividend declared	None
Forfeitures	9.09%
Volatility	13.78%

A total of 3,000 shares of options were exercised at a weighted average price of $9.20 during the year.

A summary of option activity under the plans as of December 31, 2022, and changes during the years then ended are as follows:

	Shares	Weighted-Average Exercise Price
Outstanding options	64,369	$ 9.22
Granted	-	-
Exercised	(3,000)	9.20
Forfeited	-	-
Outstanding at end of year	61,369	$ 9.22
Options exercisable at year end	33,422	$ 9.21
Weighted-average fair value of options granted during the year		$ -

The following table summarizes information about stock options outstanding at December 31, 2022:

	Options Outstanding			Options Exercisable		
	Weighted-Average Remaining Contractual Life	Number Outstanding at End of Year	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number Exercisable at End of Year	Weighted-Average Exercise Price
Price $4.00-$4.99	-	-	$ -	-	-	$ -
Price $5.00-$5.99	-	-	-	-	-	-
Price $6.00-$6.99	-	-	-	-	-	-
Price $7.00-$7.99	-	-	-	-	-	-
Price $8.00-$8.99	-	-	-	-	-	-
Price $9.00-$9.99	7.07	61,369	9.22	6.76	33,422	9.21
Price $10.00-$10.99	-	-	-	-	-	-
Price $11.00-$11.99	-	-	-	-	-	-
	7.07	61,369	$ 9.22	6.76	33,422	$ 9.21

The Company recognized $25,269 and $27,784, of stock-based compensation expense for the years ended December 31, 2022 and 2021, respectively.

The aggregate intrinsic value of options exercisable for the year ended December 31, 2022, was $53,141. The aggregate intrinsic value of options outstanding for the year ended December 31, 2022, was $96,963.

As of December 31, 2022, there was $41,375 of unrecognized compensation cost that will be recognized in the future, over a weighted-average period of 1.5 years.

Note 13 - Concentrations of Credit Risk

Most of the Company’s loans, commitments, and standby letters of credit have been granted to customers in the Company’s market areas of northern Idaho and eastern Washington. As such, significant changes in economic conditions in northern Idaho, eastern Washington, or with its primary industries could adversely affect the Company’s ability to collect loans. Substantially all such customers are depositors of the Company. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. The Company’s lending limit to any single borrower or group of related borrowers is equal to 20% of the Company’s capital.

Note 14 - Regulatory Capital

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our 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 assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors.

At December 31, 2022, the Company qualified for treatment under the Small Bank Holding Company Policy Statement (Regulation Y, Appendix C) and, therefore, is not subject to consolidated capital rules at the bank holding company level. The Bank has also opted into the Community Bank Leverage Ratio (CBLR) framework, beginning with the Call Report to be filed for the first quarter of 2020. At December 31, 2022 and 2021, the Bank’s CBLR ratio was 10.48% and 9.93%, respectively, which exceeded all regulatory capital requirements under the CBLR framework and the Bank was considered to be “well-capitalized.”

Under this final rule, banks and their bank holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to tier 1 capital divided by average total consolidated assets) of greater than 9%, are eligible to opt into the CBLR framework. Qualifying community banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Accordingly, a qualifying community banking organization that exceeds the 9% CBLR will be considered to have met: (i) the generally applicable risk-based and leverage capital requirements of the generally applicable capital rules; (ii) the capital ratio requirements in order to be considered well-capitalized under the prompt corrective action framework; (iii) any other applicable capital or leverage requirements. A qualifying community banking organization that elects to be under the CBLR framework generally would be exempt from the current capital framework, including risk-based capital requirements and capital conservation buffer requirements. A banking organization meets the definition of a "qualifying community banking organization" if the organization has:

- A leverage ratio of greater than 9%
- Total consolidated assets of less than $10 billion
- Total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25% or less of total consolidated assets; and
- Total trading assets plus trading liabilities of 5% or less of total consolidated assets

Even though a banking organization meets the above-stated criteria, federal banking regulators have reserved the authority to disallow the use of the CBLR framework by a depository institution or depository institution holding company, based on the risk profile of the banking organization.

Note 15 - Fair Value of Assets and Liabilities

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

Fair value accounting 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, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Company groups its financial assets and liabilities generally measured at fair value in three levels, based on the markets in which the assets 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 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 may include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the 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.

The following tables summarizes the Company's financial instruments that were measured at fair value at December 31, 2022 and 2021:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
December 31, 2022				
Description of financial instrument				
Assets measured at fair value on a recurring basis				
U.S. treasury and government agencies	$ 51,841,119	$ -	$ 51,841,119	$ -
Government sponsored mortgage-backed securities	15,337,614	-	15,337,614	-
Municipal bonds	22,007,221	-	22,007,221	-
Corporate bonds	21,333,068	-	21,333,068	-
Assets measured at fair value on a nonrecurring basis				
Impaired loans	-	-	-	-

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
December 31, 2021				
Description of financial instrument				
Assets measured at fair value on a recurring basis				
U.S. treasury and government agencies	$ 31,152,246	$ -	$ 31,152,246	$ -
Government sponsored mortgage-backed securities	14,489,636	-	14,489,636	-
Municipal bonds	22,453,168	-	22,453,168	-
Corporate bonds	25,790,571	-	25,790,571	-
Assets measured at fair value on a nonrecurring basis				
Impaired loans	89,075	-	-	89,075

The Company's debt securities available for sale primarily consisted of U.S. Treasury and government agency securities, municipal bonds, corporate bonds, and mortgage-backed securities that trade in active markets. These debt securities are included under Level 2 because there may or may not be daily trades in each of the individual debt securities and because the valuation of these debt securities may be based on instruments that are not exactly identical to those owned by the Company.

Impaired loans are individually reviewed to determine the amount of each loan considered to be at risk of non-collection. In determining the amount of each loan at risk, the Company reviews real property appraisals, equipment valuations, accounts receivable and payable listings, and other financial information.

The estimated fair values, and related carrying amounts, of the Company's financial instruments are as follows:

	2022		2021	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets:				
Cash and cash equivalents	$ 17,122,278	$ 17,122,278	$ 61,693,526	$ 61,693,526
Deposits with other banks	1,249,000	1,249,000	1,748,000	1,748,000
Securities available for sale	110,519,022	110,519,022	93,885,621	93,885,621
Other restricted stock	481,159	481,159	421,659	421,659
Loans, net	105,250,277	105,345,226	80,414,812	80,487,356
Accrued interest receivable	1,057,773	1,057,773	716,561	716,561
Financial liabilities:				
Deposits	222,623,961	222,596,013	219,655,448	219,618,048
Federal Home Loan Bank advances	-	-	235,765	235,765
Accrued interest payable	20,243	20,243	9,046	9,046

Note 16 - Revenue from Contracts with Customers

All the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Noninterest Income. Gains on sale of loans and losses from sale of debt securities are outside of the scope of ASC 606. As of December 31, 2022 and 2021, other income includes $601,215 and $575,865, respectively, of interchange income which is within the scope of ASC 606; the remaining balance of $123,192 and $148,193, respectively, represents bank owned life insurance income and other miscellaneous income, which are outside the scope of ASC 606.

A description of the Company's revenue streams accounted for under ASC 606 follows:

Service Charges on Deposits - The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balances.

Interchange Income – The Company earns interchange fees from debit cardholder transactions conducted through the Mastercard payment network and from transactions conducted on bank-owned ATMs. Interchange fees from these transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.