Consolidated Financial Statements
December 31, 2024 and 2023

Coeur d'Alene Bancorp and Subsidiary

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, 2024 and 2023, 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, 2024 and 2023 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.

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
March 7, 2025

	2024	2023
Assets		
Cash and due from banks	$ 4,680,321	$ 3,636,240
Time deposits in other banks	1,490,000	1,490,000
Debt securities available for sale, at fair value (amortized cost 2024 - $93,936,770, 2023 $110,652,987 net of allowance for credit losses 2024 and 2023 - $0)	91,070,959	106,182,845
Other restricted stock	899,159	331,759
Loans receivable, net of allowance for credit losses of $1,671,407 and $1,565,356 at December 31, 2024 and 2023, respectively	131,562,189	116,869,345
Premises and equipment, net	4,579,680	3,879,794
Bank owned life insurance	3,841,526	3,744,088
Accrued interest receivable	1,021,910	1,142,571
Goodwill	42,420	42,420
Other assets	2,738,844	1,814,354
Total assets	$ 241,927,008	$ 239,133,416
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 195,494,334	$ 195,128,269
Federal funds purchased	2,697,000	1,096,000
FHLB Advances	12,700,000	-
Federal Reserve Bank advances	-	15,500,000
Subordinated debt	4,967,671	4,946,382
Accrued interest payable	94,159	82,538
Other liabilities	2,608,131	1,789,042
Total liabilities	218,561,295	218,542,231
Stockholders' Equity		
Common stock par value $5 per share; authorized 5,000,000 shares; issued and outstanding, 1,891,154 in 2024 and 1,891,054 in 2023	9,455,770	9,455,270
Additional paid-in capital	5,763,664	5,732,266
Accumulated earnings	10,410,270	8,935,061
Accumulated other comprehensive loss	(2,263,991)	(3,531,412)
Total stockholders' equity	23,365,713	20,591,185
Total liabilities and stockholders' equity	$ 241,927,008	$ 239,133,416

	2024	2023
Interest and Dividend Income		
Loans receivable, including fees	$ 8,080,050	$ 6,651,487
Securities available for sale	2,622,075	2,576,228
Federal funds sold and deposits with other banks	307,862	379,388
Total interest and dividend income	11,009,987	9,607,103
Interest Expense		
Deposits	2,435,949	1,413,103
Borrowed funds	948,227	318,199
Total interest expense	3,384,176	1,731,302
Net Interest Income	7,625,811	7,875,801
Provision for Credit Losses	256,811	131,000
Net interest income after provision for credit losses	7,369,000	7,744,801
Noninterest Income		
Service charges on deposits	193,273	178,413
Loss from sale of securities and CDs	(23,005)	(263,055)
Other income	732,997	730,249
Total noninterest income	903,265	645,607
Noninterest Expenses		
Salaries and employee benefits	3,614,729	3,104,163
Occupancy	485,198	415,619
Equipment	182,558	181,287
Professional services	385,971	247,517
General office expense	172,508	162,301
Advertising	71,260	128,952
Data processing	445,282	410,470
Other operating expenses	1,118,442	1,117,954
Total noninterest expenses	6,475,948	5,768,263
Net Income Before Income Taxes	1,796,317	2,622,145
Less: Income Tax Expense	321,108	503,578
Net Income	$ 1,475,209	$ 2,118,567

	2024	2023
Earnings per Share of Common Stock		
Basic	$ 0.78	$ 1.12
Diluted	$ 0.77	$ 1.11
Weighted Average Number of Shares Outstanding During the Period		
Basic	1,891,090	1,891,054
Effects of potentially dilutive common shares	25,810	13,109
Diluted	1,916,900	1,904,163

	2024	2023
Net Income	$ 1,475,209	$ 2,118,567
Other Comprehensive Income		
Unrealized losses on securities		
Unrealized gains (losses) arising during period	1,581,326	2,760,541
Tax (benefit) expense	(332,079)	(579,714)
Less reclassification adjustment for losses included in net income	23,005	263,055
Tax benefit	(4,831)	(55,241)
Other comprehensive income	1,267,421	2,388,641
Comprehensive Income	$ 2,742,630	$ 4,507,208

	Common Stock		Additional		Accumulated Other	
	Number of Shares	Amount	Paid-In Capital	Accumulated Earnings	Comprehensive Loss	Total
Balance, December 31, 2022	1,891,054	$ 9,455,270	$ 5,692,869	$ 7,606,812	$ (5,920,053)	$ 16,834,898
Net income	-	-	-	2,118,567	-	2,118,567
Cumulative change in accounting principal (note 1)	-	-	-	(223,000)	-	(223,000)
Share based compensation expense	-	-	39,397	-	-	39,397
Dividend	-	-	-	(567,318)	-	(567,318)
Other comprehensive income (loss), net	-	-	-	-	2,388,641	2,388,641
Balance, December 31, 2023	1,891,054	9,455,270	5,732,266	8,935,061	(3,531,412)	20,591,185
Net income	-	-	-	1,475,209	-	1,475,209
Share based compensation expense	-	-	30,398	-	-	30,398
Stock grants issued	100	500	1,000	-	-	1,500
Other comprehensive income (loss), net	-	-	-	-	1,267,421	1,267,421
Balance, December 31, 2024	1,891,154	$ 9,455,770	$ 5,763,664	$ 10,410,270	$ (2,263,991)	$ 23,365,713

	2024	2023
Operating Activities		
Net income	$ 1,475,209	$ 2,118,567
Adjustments to reconcile net income		
to net cash from operating activities		
Depreciation and amortization	284,978	276,729
Amortization of right of use asset	196,788	60,626
Share based payment compensation (benefit) expense	30,398	(183,603)
Provision for credit losses	256,811	131,000
Deferred income (benefit) taxes	(134,597)	(108,599)
Amortization of investment premiums/discounts, net	434,744	590,082
Increase in cash surrender value life insurance	(97,438)	(88,781)
Net loss on sales of debt securities available for sale and CDs	23,005	263,054
Changes in assets and liabilities		
Accrued interest receivable	120,661	(84,798)
Other assets	(2,431,172)	(1,557,290)
Other liabilities	1,926,670	1,184,418
Accrued interest payable	11,621	62,295
Net Cash from Operating Activities	2,097,678	2,663,700
Investing Activities		
Net (increase) decrease in time deposits with other banks	-	(241,000)
Debt securities available for sale		
Purchases	(6,030,294)	(9,622,167)
Proceeds from maturities, calls and principal payments	21,721,362	16,278,204
Net (increase) decrease in loans	(14,949,655)	(11,655,119)
Proceeds from the issuance of subordinated debt	21,289	21,288
Purchases of premises and equipment	(984,864)	(59,200)
Net Cash used for Investing Activities	(222,162)	(5,277,994)

	2024	2023
Financing Activities		
Federal funds purchased	1,601,000	1,096,000
Advances on (repayment) of FHLB advances	12,700,000	-
Advances on (repayment) of Federal Reserve borrowings	(15,500,000)	15,500,000
Proceeds from stock options exercised	1,500	-
Net increase (decrease) in deposits	366,065	(27,467,744)
Net Cash used for Financing Activities	(831,435)	(10,871,744)
Net Change in Cash and Cash Equivalents	1,044,081	(13,486,038)
Cash and Cash Equivalents, Beginning of Year	3,636,240	17,122,278
Cash and Cash Equivalents, End of Year	$ 4,680,321	$ 3,636,240
Supplemental Disclosure of Cash Flow Information		
Cash payments for		
Income taxes	$ 455,705	$ 607,980
Interest on deposits and borrowed funds	$ 3,372,555	$ 1,669,007
Lease payments	$ 84,870	$ 75,698
Noncash Investing and Financing Activities		
Net change in unrealized gain on securities available for sale, net of tax	$ 1,249,247	$ 2,180,827
Dividends declared and not paid	$ -	$ 567,318
Right-of-use-assets obtained in exchange for lease liabilities	$ 1,107,581	$ -

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 full-service branches serving Coeur d'Alene, Post Falls, Hayden, Kellogg, Idaho, and a loan production office in Spokane Valley, Washington, and contiguous areas.

Basis of Consolidation

The December 31, 2024 and 2023, 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

In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for credit losses.

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.

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, 2024 and 2023, time deposits in other banks were $1,490,000. No time deposits in other banks were pledged to secure customer deposits or as collateral for borrowing lines as of December 31, 2024 and 2023. Maturities of time deposits are $496,000 in 2027 and $994,000 in 2028.

Debt Securities Available for Sale

Debt securities available for sale consist of U.S. Treasury and 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. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to the call date. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Allowance for Credit Losses – Available for Sale Securities

The Bank measures the allowance for credit losses on available for sale debt securities by first assessing whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost. If it is determined that the Bank intends or will be required to sell the security, it is written down to its fair value through income. For securities issued by government agencies that do not meet the aforementioned criteria, there are no expected credit losses as they are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. For other debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses on available-for-sale investments is recorded and is limited to the amount that the fair value is less that the amortized cost basis. Any impairment that has not been recorded though an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as provision for or (reversal) of credit losses. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale debt security is confirmed or when the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaling $606,448 and $749,328, at December 31, 2024 and 2023, respectively, is included in interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

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, 2024 and 2023, the carrying value of the FHLB stock was $715,000 and $147,600, 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, 2024 and 2023, 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, 2024 and 2023, 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 credit 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.

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

Accrued interest receivable on loans totaling $412,229 and $388,138, at December 31, 2024 and 2023, respectively, is included in interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

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.

Allowance for Credit Losses (ACL) - Loans

The ACL for loans is a valuation allowance for the current expected credit losses in the Company’s loan portfolio that is deducted from the loan’s amortized cost basis to present the net amount expected to be collected. Loans are charged-off against the allowance when management believes the collectability of the loan balance is unlikely. Subsequent recoveries, if any, are credited to the ACL.

Management estimates the allowance over the loan’s entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers relevant, available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for qualitative or environmental factors that cause the estimate for expected losses as of the evaluation date to differ from 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 collateral valuations; concentrations of credit; the effect of other external factors such as competition and legal and regulatory requirements; and other relevant factors determined by management.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The Company has identified the following loan pools: commercial, commercial real estate, residential real estate, installment, and other loans. Relevant risk characteristics for commercial and commercial real estate loan pools include debt service coverage, loan-to-value ratios and financial performance. Relevant risk characteristics for residential real estate, consumer and other loan pools include credit scores, debt-to income ratios, collateral type and loan-to-value ratios. The Company uses the Discounted Cash Flow method to measure the ACL for all loan pools to calculate a loss rate that combines the pool's risk characteristics, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. The loss rate is then combined with the loans balance and contractual maturity, adjusted for expected prepayments, to determine expected future losses. Future and supportable economic forecasts are based on various economic conditions over a period of up to two years followed by a reversion back to historical losses.

Loans that do not share similar risk characteristics to their loan pool are evaluated on an individual basis and are excluded from the collective measurement. Loans can be identified for individual evaluation for various reasons including delinquency, nonaccrual status, risk rating and loan modifications. A loan is considered collateral dependent when management determines that foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The ACL on collateral dependent loans is measured using the amortized cost basis of the financial asset less the fair value of the underlying collateral, adjusted for costs to sell, when applicable. If the value of the underlying collateral is determined to be less than the recorded amount of the loan, a specific reserve for that loan is recorded. If the Company determines that the loss represented by the specific reserve is uncollectible it records a charge-off for the uncollectible portion.

Allowance for Credit Losses (ACL) – Off Balance Sheet Exposures

The Company establishes a liability for estimated expected credit losses on unfunded commitments to originate or fund loans and standby letters of credit, excluding commitments that are unconditionally cancellable. The estimate is included in "Accrued expenses and other liabilities" on the consolidated balance sheets. Expected credit losses are estimated over the contractual period in which the Company is exposed to credit risk through the commitment adjusted for anticipated prepayments when appropriate. The estimate of the liability also considers the likelihood that funding will occur. The ACL on unfunded commitments is adjusted through provision for credit losses on consolidated statements of income. The underwriting process and risks associated with unfunded commitments and standby letters of credit are essentially the same as loans and therefore the Company uses the same ACL process as loans to estimate the liability.

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, 2024 and 2023.

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, 2024 and 2023, 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 2021.

Advertising

The Company expenses advertising costs as they are incurred. Advertising costs were $71,260 and $128,952, for the years ended December 31, 2024 and 2023, 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 retirement 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 deferred compensation expense of $28,429 and $26,464, for the years ended December 31, 2024 and 2023, respectively.

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.

Operating Segments

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Discrete operating results are not reviewed by senior management to make resource allocation or performance decisions. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

The Company’s reportable segments are determined by the Chief Executive Officer, who is the designated chief operating decision maker (CODM), based upon information provided about the Company’s products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the CODM, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. The CODM will evaluate the financial performance of the Company’s business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company’s segment and in the determination of allocating resources.

The CODM uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The CODM uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessing performance and in establishing compensation. Loans and investments provide the revenues in the banking operation. Interest expense, provisions for credit losses and payroll provide the significant expenses in the banking operation. All operations are domestic. Segment performance is evaluated using consolidated net income. Information reported internally for performance assessment by the CODM is included within the consolidated statements of income.

Adoption of Accounting Standards

Effective January 1, 2024, the Company adopted Accounting Standards Update (“ASU”) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU requires that public entities (including those with a single reportable segment) make all existing segment disclosures required by Topic 280 Segment Reporting on both an annual and interim basis. Significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss (measure) and other segment items must also be disclosed. The CODM’s title and position is also required to be disclosed as well as how the CODM uses each reported measure to assess segment performance and in deciding how to allocate resources. The ASU does not change how a public entity determines its reportable segments.

On January 1, 2023, the Bank adopted Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended*, which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (“CECL”). The measurement of expected losses under CECL methodology is applicable to financial assets measured at amortized cost, including loans, held-to-maturity debt securities and off-balance sheet credit exposures. In addition, Topic 326 made changes to the accounting for available-for-sale debt securities including the requirement to present credit losses as an allowance rather than a write-down on available-for-sale debt securities that management does not intend to sell or believes it is more likely than not they will be required to sell.

The Bank adopted Topic 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. The Bank recorded a net decrease to accumulated earnings of $223,000 as of January 1, 2023, for the cumulative effect of adopting Topic 326. The transition adjustment impact includes a $45,000 impact due to the increase in ACL related to loans and a $178,000 impact due to the increase in ACL for unfunded commitments.

ASU 2022-02, Financial Instruments-Credit Losses (Topic 326)*, Troubled Debt Restructurings and Vintage Disclosures* - This ASU addresses and amends areas identified by the FASB as part of its post-implementation review of the accounting standard that introduced the current expected credit losses model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the current expected credit losses model and enhance the disclosure requirements for loan refinancings, and restructurings made with borrowers experiencing financial difficulty. The Bank adopted ASU 2022-02 in conjunction with ASU 2016-13 on January 1, 2023, using the prospective approach.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through March 7, 2025, which is the date the audited consolidated financial statements were available to be issued.

Note 2 - Debt Securities Available for Sale

The following summarizes the amortized cost, gross unrealized gain, gross unrealized losses, fair value and allowance for credit losses at December 31, 2024 and 2023:

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance For Credit Losses	Fair Value
Debt securities available for sale					
U.S. Treasury and government agencies	$ 40,058,367	$ -	$ (954,247)	$ -	$ 39,104,120
Mortgage-backed securities	19,648,282	71,487	(927,751)	-	18,792,018
Municipal bonds	16,332,146	32,146	(598,892)	-	15,765,400
Corporate bonds	17,897,975	116,888	(605,442)	-	17,409,421
	$ 93,936,770	$ 220,521	$ (3,086,332)	$ -	$ 91,070,959

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance For Credit Losses	Fair Value
Debt securities available for sale					
U.S. Treasury and government agencies	$ 53,208,029	$ 412	$ (2,178,165)	$ -	$ 51,030,276
Mortgage-backed securities	19,423,867	18,224	(875,834)	-	18,566,257
Municipal bonds	18,593,570	101,151	(605,940)	-	18,088,781
Corporate bonds	19,427,521	125,650	(1,055,640)	-	18,497,531
	$ 110,652,987	$ 245,437	$ (4,715,579)	$ -	$ 106,182,845

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2024 follows:

	Amortized Cost	Estimated Fair Value
Maturing in less than one year	$ 31,098,180	$ 30,804,088
Maturing in one to five years	29,412,393	28,006,094
Maturing in five to ten years	8,235,824	8,130,242
Maturing after ten years	5,542,091	5,338,517
	74,288,488	72,278,941
Mortgage-backed securities	19,648,282	18,792,018
	$ 93,936,770	$ 91,070,959

Proceeds from the sale and call of these debt securities were $17,773,660 and $12,963,610, for the years ended December 31, 2024 and 2023, respectively. Gross realized gains on sales and calls of debt securities available for sale during the years ended December 31, 2024 and 2023, were $0 and $25,846, respectively. Gross realized losses on debt securities sold for the years ended December 31, 2024 and 2023, were $23,005 and $288,900, respectively.

The following tables shows the gross unrealized losses and fair value of the Company's available-for-sale securities with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position. Securities at December 31, 2024, are as follows:

	December 31, 2024					
	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	$ 593,281	$ (3,992)	$ 38,505,685	$ (950,255)	$ 39,098,966	$ (954,247)
Mortgage-backed securities	1,920,777	(46,688)	13,235,474	(881,063)	15,156,251	(927,751)
Municipal bonds	584,114	(9,666)	12,990,486	(589,226)	13,574,600	(598,892)
Corporate bonds	887,372	(16,046)	13,507,515	(589,396)	14,394,887	(605,442)
	$ 3,985,544	$ (76,392)	$ 78,239,160	$ (3,009,940)	$ 82,224,704	$ (3,086,332)

Securities at December 31, 2023 are as follows:

	December 31, 2023					
	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	$ -	$ -	$ 50,894,861	$ (2,178,165)	$ 50,894,861	$ (2,178,165)
Mortgage-backed securities	4,136,545	(111,942)	12,014,936	(763,892)	16,151,481	(875,834)
Municipal bonds	220,633	(2,572)	13,993,964	(603,368)	14,214,597	(605,940)
Corporate bonds	995,250	(4,808)	15,492,684	(1,050,832)	16,487,934	(1,055,640)
	$ 5,352,428	$ (119,322)	$ 92,396,445	$ (4,596,257)	$ 97,748,873	$ (4,715,579)

At December 31, 2024 it was determined no ACL was necessary for available-for-sale securities. Unrealized losses at December 31, 2024 are a result of expected fluctuations in the bond market primarily driven by changes in market interest rates.

Unrealized losses on investment securities were caused by interest rate increases subsequent to the purchase of the securities and are considered temporary impairments. Investments are comprised of securities of U.S. government backed agencies and sponsored enterprises or are high quality municipal obligations and corporate bonds with a history of zero or near zero credit losses. None of the investment securities have a history of past due payments. It is expected that the securities will not be settled at a price less than the amortized cost of the investment. Accordingly, management has determined that the expected credit loss is immaterial and therefore, an allowance was not carried on any securities in the portfolio at December 31, 2024 and 2023. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Bank has the ability and intent to hold these investments until market price recovery or to maturity, the decline in value in any of these securities is deemed to be temporary and not attributable to credit losses.

On December 31, 2024 and 2023, investment debt securities with a carrying value of $8,835,525 and $13,471,274, respectively, were pledged to customer deposits. On December 31, 2024 and 2023, investment debt securities with a carrying value of $1,988,860 and $16,774,526, respectively, were pledged to the Federal Reserve Bank.

Note 3 - Loans Receivable and Allowance for Credit Losses

Loan portfolio segments:

Commercial loans are primarily made for business working capital needs and are underwritten based on the identified or projected cash flows of the borrower and/or the underlying collateral provided by the borrower. The primary repayment risks of C&I loans are that the cash flows of the borrower may be unpredictable, and the collateral securing these loans may fluctuate in value. Collateral for these loans generally includes the business assets financed, accounts receivable, inventory, and equipment. The collateral securing these loans may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. These loans may incorporate a corporate or personal guarantee.

Commercial real estate loans are offered to commercial customers for the acquisition of real estate used in their businesses, such as offices, warehouses and production facilities, and to real estate investors for the acquisition of apartment buildings, retail centers, office buildings and other commercial buildings. Commercial real estate loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally dependent on sufficient income from the properties securing the loans to cover operating expenses and debt service. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy.

Residential real estate loans are collateralized by primary and secondary positions on 1-4 family real estate and are underwritten primarily based on borrower’s documented income, credit scores, and collateral values. Repayment of these loans is largely dependent on the borrower’s financial stability and may be impacted by adverse personal circumstances. Credit risk is minimized within the residential mortgage portfolio due to relatively smaller loan balances spread across many individual borrowers.

Consumer installment loans are comprised of term loans secured primarily by automobiles, boats and recreational vehicles and other consumer loans secured primarily by other personal assets. Consumer loan underwriting terms are dependent on the collateral type, debt to income ratio and the borrower’s creditworthiness as evidenced by their credit score. In the event of a consumer installment loan default, collateral value alone may not provide an adequate source of repayment of the outstanding loan balance. This shortage is a result of the nature of the collateral securing the loan.

A summary of loans by major category follows:

	2024	2023
Commercial	$ 25,365,405	$ 29,203,500
Commercial real estate	88,213,068	67,956,092
Residential real estate	19,549,739	20,947,772
Consumer	788,641	843,107
Total loans	133,916,853	118,950,471
Allowance for credit losses	(1,671,407)	(1,565,356)
Net deferred loan fees and costs	(683,257)	(515,770)
Loans, net	$ 131,562,189	$ 116,869,345

Overdraft deposits of $6,702 and $3,820, as of December 31, 2024 and 2023, respectively, have been reclassified from deposits and included in other loans.

The following table presents the activity in the ACL by portfolio segment for the year ended December 31, 2024:

	December 31, 2024				
	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Allowance for Credit Losses					
Balance at beginning of period	$ 414,669	$ 839,576	$ 296,108	$ 15,003	$ 1,565,356
Charge-offs	-	-	-	-	-
Recoveries	12,225	460	-	4,530	17,215
Provision for credit losses	(116,614)	272,585	(58,656)	(8,479)	88,836
Balance at end of period	$ 310,280	$ 1,112,621	$ 237,452	$11,054	$ 1,671,407

	December 31, 2023				
	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Allowance for Credit Losses					
Balance at beginning of period	$ 369,980	$ 815,748	$ 185,715	$ 8,810	$ 1,380,253
Impact of adopting ASC 326	11,051	7,927	25,703	319	45,000
Charge-offs	-	-	-	-	-
Recoveries	11,638	401	8,690	1,874	22,603
Provision for credit losses	22,000	15,500	76,000	4,000	117,500
Balance at end of period	$ 414,669	$ 839,576	$ 296,108	$ 15,003	$ 1,565,356

In addition to the ACL on loans, the Bank has established an ACL on off balance sheet credit exposures of $384,475 at December 31, 2024, and $216,500 at December 31, 2023. The following table present the activity in the ACL on off-balance sheet exposures for the years ended December 31, 2024 and 2023.

	Off Balance Sheet Credit Exposures	
	2024	2023
Balance at beginning of period	$ 216,500	$ 25,000
Impact of adopting ASC 326	-	178,000
Additions (reversals) to ACL recorded as provision for credit losses	167,975	13,500
Balance at end of period	$ 384,475	$ 216,500

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.

Doubtful – Loans classified as doubtful have the weaknesses of those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Based on the most recent analysis performed, the risk category of loans by class of loans and origination year as of December 31, 2024, was as follows:

	December 31, 2024						
	Term Loans by Origination Year					Revolving Loans Amortized Cost Basis	
	2024	2023	2022	2021	Prior		Total
Commercial							
Pass	$ 2,125,611	$ 6,665,033	$ 6,125,568	$ 2,250,799	$ 7,625,149	$ -	$ 24,792,160
Watch	-	-	-	-	-	-	-
Substandard	-	17,911	-	-	555,334	-	573,245
Doubtful	-	-	-	-	-	-	-
Total commercial loans	$ 2,125,611	$ 6,682,944	$ 6,125,568	$ 2,250,799	$ 8,180,483	$ -	$ 25,365,405
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Real Estate							
Pass	$ 26,747,226	$ 16,842,568	$ 13,367,049	$ 15,874,810	$ 14,962,270	$ -	$ 87,793,923
Watch	-	-	-	-	419,145	-	419,145
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total commercial real estate loans	$ 26,747,226	$ 16,842,568	$ 13,367,049	$ 15,874,810	$ 15,381,415	$ -	$ 88,213,068
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential Real Estate							
Pass	$ 1,314,335	$ 1,397,521	$ 5,982,900	$ 3,360,839	$ 270,269	$ 6,431,177	$ 18,757,041
Watch	-	-	631,552	-	161,146	-	792,698
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total residential real estate loans	$ 1,314,335	$ 1,397,521	$ 6,614,452	$ 3,360,839	$ 431,415	$ 6,431,177	$ 19,549,739
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer							
Pass	$ 79,554	$ 24,801	$ 16,730	$ 792	$ 648,155	$ 18,609	$ 788,641
Watch	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total consumer	$ 79,554	$ 24,801	$ 16,730	$ 792	$ 648,155	$ 18,609	$ 788,641
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

During the years ended December 31, 2024 and 2023, no revolving notes converted to term notes.

The risk category of loans by class of loans and origination year as of December 31, 2023 was as follows:

	December 31, 2023						
	Term Loans by Origination Year					Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	2020	Prior		
Commercial							
Pass	$ 8,213,164	$ 6,165,243	$ 2,440,328	$ -	$ 7,084,872	$ 3,448,141	$ 27,351,748
Watch	-	713,729	331,181	-	-	50,000	1,094,910
Substandard	-	34,549	-	-	673,135	49,158	756,842
Doubtful	-	-	-	-	-	-	-
Total commercial loans	$ 8,213,164	$ 6,913,521	$ 2,771,509	$ -	$ 7,758,007	$ 3,547,299	$ 29,203,500
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Real Estate							
Pass	$ 16,838,356	$ 15,625,189	$ 17,168,536	$ -	$ 17,854,005	$ -	$ 67,486,086
Watch	-	-	-	-	470,006	-	470,006
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total commercial real estate loans	$ 16,838,356	$ 15,625,189	$ 17,168,536	$ -	$ 18,324,011	$ -	$ 67,956,092
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential Real Estate							
Pass	$ 2,456,708	$ 8,082,151	$ 3,706,515	$ -	$ 2,239,670	$ 4,462,728	$ 20,947,772
Watch	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total residential real estate loans	$ 2,456,708	$ 8,082,151	$ 3,706,515	$ -	$ 2,239,670	$ 4,462,728	$ 20,947,772
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer							
Pass	$ 109,077	$ 26,271	$ -	$ -	$ 691,368	$ 16,391	$ 843,107
Watch	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total consumer	$ 109,077	$ 26,271	$ -	$ -	$ 691,368	$ 16,391	$ 843,107
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The following tables summarize the aging of the past due loans by loan class within the portfolio segments as of December 31, 2024 and 2023:

	December 31, 2024				
	30-89 Days Past Due	Over 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial	$ 47,851	$ -	$ 47,851	$ 25,317,554	$ 25,365,405
Commercial Real Estate	-	-	-	88,213,068	88,213,068
Residential Real Estate	-	-	-	19,549,739	19,549,739
Consumer	-	-	-	788,641	788,641
Total	$ 47,851	$ -	$ 47,851	$ 133,869,002	$ 133,916,853

	December 31, 2023				
	30-89 Days Past Due	Over 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial	$ -	$ 61,974	$ 61,974	$ 29,141,526	$ 29,203,500
Commercial Real Estate	-	-	-	67,956,092	67,956,092
Residential Real Estate	-	-	-	20,947,772	20,947,772
Consumer	-	-	-	843,107	843,107
Total	$ -	$ 61,974	$ 61,974	$ 118,888,497	$ 118,950,471

There were no loans on nonaccrual for the year ended December 31, 2024.The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2023.

	December 31, 2023		
	Nonaccrual	Nonaccrual With No Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
Commercial	$ 61,974	$ -	$ -
Commercial Real Estate	-	-	-
Residential Real Estate	-	-	-
Consumer	-	-	-
Total	$ 61,974	$ -	$ -

There were no loans on nonaccrual over 89 days and still accruing as of December 31, 2024 and 2023, respectively.

There were no collateral dependent loans for the year ended December 31, 2024. The following table presents the amortized cost basis of collateral dependent loans, by the primary collateral type, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans as of December 31, 2023.

	December 31, 2023				
	Collateral Type				
	Real Estate	Equipment	Other	Total	ACL
Commercial	$ 61,974	$ -	$ -	$ 61,974	$ 15,493
Commercial Real Estate	-	-	-	-	-
Residential Real Estate	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ 61,974	$ -	$ -	$ 61,974	$ 15,493

Occasionally, the Company may modify loans to borrowers who are experiencing financial difficulty. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, term extension, an other-than-insignificant payment delay, interest rate reduction, or combination thereof. There were no loans modified during the years ended December 31, 2024 and 2023.

The following table presents loans purchased and sold during the year ended December 31, 2024 by portfolio segment:

	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Purchases	$ -	$ 1,229,920	$ -	$ -	$1,229,920
Sales	-	4,027,952	-	-	4,027,952

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, 2024 and 2023, is as follows:

	2024	2023
Balance, beginning of year	$ 707,663	$ 559,015
Principal additions	572,092	278,075
Principal payments	(375,712)	(129,427)
Aggregate amount of related party loans	$ 904,043	$ 707,663

Note 4 - Premises and Equipment

Major classifications of premises and equipment at December 31, 2024 and 2023, are summarized as follows:

	2024	2023
Buildings and building improvements	$ 4,765,552	$ 4,763,584
Land	779,578	779,578
Furniture, fixtures, and equipment	1,341,094	1,250,127
Construction in progress	786,483	2,400
Total cost	7,672,707	6,795,689
Less accumulated depreciation	3,093,027	2,915,895
Net book value	$ 4,579,680	$ 3,879,794

Depreciation and amortization expense for the years ended December 31, 2024 and 2023, was $284,978 and $276,729, respectively.

The Company entered into contracts for the remodeling of two branch locations in Kellogg, Idaho and Spokane, Washington. Commitments on these projects were approximately $1,303,422, with approximately $786,483 million expended at year end.

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 April 1, 2042, 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 at commencement of the lease.

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, 2024 and 2023, are as follows:

Lease Assets	Classification	2024	2023
Operating right-of-use assets	Other assets	$ 1,385,204	$ 343,547
Financing right-of-use assets	Premises and equipment	35,508	45,653

Lease Liabilities	Classification	2024	2023
Operating lease liabilities	Other liabilities	$ 1,405,368	$ 360,348
Financing lease liability	Other liabilities	36,803	46,357

Total lease costs for the years ended December 31, 2024 and 2023, are as follow:

	2024	2023
Operating lease cost	$ 73,539	$ 67,200
Finance lease cost		
Interest expense	1,777	1,593
Amortization of right-of-use assets	9,554	6,905

The following summarizes the supplemental cash flow information for the years ended December 31, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 73,539	$ 67,200
Operating cash flows from financing leases	1,777	1,593
Financing cash flows from finance leases	9,554	6,905

A Right-of-use asset in the amount of $1,107,581 was obtained in exchange for a lease liability during the year ended December 31, 2024. No right-of-use assets were obtained in exchange for lease liabilities during the year ended December 31, 2023.

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

	2024	2023
Weighted-average remaining lease term		
Operating leases	14.63 years	5.75 years
Financing leases	3.50 years	4.50 years
Weighted-average discount rate		
Operating leases	3.93%	2.07%
Financing leases	4.23%	4.23%

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
2025	$ 101,406	$ 11,331
2026	144,783	11,331
2027	147,111	11,331
2028	149,508	5,666
2029	131,070	-
Thereafter	1,276,391	-
Total lease payments	1,950,269	39,659
Less interest	544,901	2,856
Present value of lease liabilities	$ 1,405,368	$ 36,803

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 $8,405,516 and $8,398,692, as of December 31, 2024 and 2023, respectively. The cash surrender value on the policies amounted to $3,841,526 and $3,744,088, as of December 31, 2024 and 2023, respectively.

Note 7 - Deposits

Major classifications of deposits at December 31, 2024 and 2023, are as follows:

	2024	2023
Noninterest-bearing demand	$ 48,153,896	$ 52,283,346
Interest-bearing demand	55,596,658	59,502,726
Money market	60,039,179	45,326,885
Savings	21,199,876	29,295,911
Certificates of deposit	10,504,725	8,719,401
	$ 195,494,334	$ 195,128,269

The aggregate amount of certificates of deposit that meet or exceed the FDIC insurance limit of $250,000 was $2,711,554 and $3,817,709, at December 31, 2024 and 2023, respectively.

The following is a schedule by year of maturities for time deposits at December 31, 2024:

Years Ending December 31,	
2025	$ 9,124,502
2026	573,749
2027	375,798
2028	191,475
2029	239,201
	$ 10,504,725

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 $1,278,657 and $1,557,972, at December 31, 2024 and 2023, respectively.

Note 8 - Federal Funds Purchased and Other Borrowed Funds

As of December 31, 2024, 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, $5,000,000, and $5,000,000, respectively. At December 31, 2024 and 2023, Federal funds amounting to $2,697,000 and $1,096,000, were purchased from Bankers' Bank of the West as of December 31, 2024 and 2023. The federal funds purchased bear interest of 4.75% and mature on a daily basis. There were no other outstanding balances under the Company's other operating line agreements as of December 31, 2024 and 2023. Interest varies based on the federal funds purchased rates.

In 2023, the Bank was approved to obtain funding from the Federal Reserve's Bank Term Funding Program ("BTFP"). The Bank has pledged eligible collateral totaling $15,500,000 as of December 31, 2023. As of

December 31, 2023, $15,500,000 was outstanding with a fixed rate of 4.88%. Borrowings under the BTFP carry a term of up to 12 months and an interest rate of the one-year overnight index rate plus 10 basis points determined on the date of advance. This facility was started in 2023 and has ended in 2024. The balance was paid in full during 2024.

Federal Home Loan Bank borrowings are secured by commercial real estate, residential mortgages, and other secured commercial loans. The value of the pledged real estate loans as of December 31, 2024 and 2023, was $16,925,461 and $13,741,713, respectively. As of December 31, 2024, $12,700,000 was outstanding at rates ranging from 4.519% to 4.703%. There were no outstanding balances as of December 31, 2023. Maturities range from January through March of 2025.

On June 17, 2021, the Company took out $5,000,000 of subordinated debt from Pacific Western Bank, now Banc of California. 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, 2024 and 2023, has an outstanding balance, net of issuance costs, of $4,967,671 and 4,946,382, 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.

	2024	2023
Unused lines of credit	$ 11,949,000	$ 9,736,000
Construction loan commitments	13,132,000	11,915,000
Letters of credit	210,000	218,000
Commitments to extend credit	$ 25,291,000	$ 21,869,000

Note 10 - Income Taxes

The components of income tax expense consist of the following:

	2024	2023
Current Tax Expense		
Federal	$ 344,300	$ 492,177
State	111,405	120,000
Deferred Tax (Benefit) Expense		
Federal	(115,396)	(108,689)
State	(19,201)	90
Income tax expense	$ 321,108	$ 503,578

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

	2024	2023
Deferred Income Tax Assets		
Allowance for loan losses	$ 277,220	$ 243,971
Organizational expenses	8,280	13,576
Nonaccrual loan interest	89,562	71,614
Net unrealized loss on available for sale securities	601,820	938,730
Other	121,173	71,752
Total deferred income tax assets	1,098,055	1,339,643
Deferred Income Tax Liabilities		
Accumulated depreciation	(32,333)	(27,754)
Deferred loan fees	(31,526)	(46,654)
Prepaid expenses	(28,248)	(16,829)
Total deferred income tax liabilities	(92,107)	(91,237)
Net deferred tax asset	$ 1,005,948	$ 1,248,406

The net deferred income tax asset is recorded in other assets in the consolidated balance sheets at December 31, 2024 and 2023. No valuation allowance was considered necessary as of December 31, 2024 and 2023.

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

	2024	2023
Federal income tax expense at statutory rates	$ 377,226	$ 550,650
Effect of permanent differences	(102,250)	(109,369)
Effect of state income taxes, net of federal benefit	46,679	79,042
Prior year over / (under) accrual	(547)	(33,623)
Other	-	16,878
Income tax expense	$ 321,108	$ 503,578

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 $83,191 and $68,700, for the years ended December 31, 2024 and 2023, 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 under the 2011 plan during 2024 and 2023. At December 31, 2024, there were 57,369 shares of 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 zero to five years. The Company issued 20,000 stock options and 2,600 restricted stock grants under the 2021 plan during 2024 and 26,000 stock options in 2023. At December 31, 2024, there were 46,000 shares of options outstanding and 201,400 shares available for future awards of all types. The weighted average stock price as of the date of issuance was $12.38.

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 2024, 100 restricted stock shares were granted to Directors. During 2023, 12,000 options were granted to Directors. At December 31, 2024, there were 37,900 shares of options and grants available to be granted to Directors. The exercise 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.

	2024
Weighted average risk-free interest rate	3.84%
Weighted average expected lives for the options granted	0-5 years
Dividend declared	None
Forfeitures	8.53%
Volatility	13.24%

The weighted average grant date fair value of options granted during the year ended December 31, 2024, was $2.90. The weighted average grant date fair value of options granted during the year ended December 31, 2023, was $2.50.

A summary of option activity under the plans as of December 31, 2024, and changes during the year then ended are as follows:

	Shares	Weighted-Average Exercise Price
Outstanding options, beginning of year	87,369	$ 9.65
Granted	20,000	12.36
Exercised	-	-
Forfeited	(4,000)	9.20
Outstanding at end of year	103,369	$ 10.19
Options exercisable at year end	63,369	$ 9.44
Weighted-average exercise price of options granted during the year		$ 12.36

The following table summarizes information about stock options outstanding at December 31, 2024:

	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	5.35	57,369	9.22	5.22	53,369	9.21
Price $10.00-$10.99	6.69	26,000	10.66	6.60	10,000	10.66
Price $11.00-$11.99	-	-	-	-	-	-
Price $12.00-$12.99	10.00	20,000	12.36	-	-	-
	6.59	103,369	$ 10.19	5.44	63,369	$ 9.44

The Company recognized $31,898 and $39,397, of stock-based compensation expense for the years ended December 31, 2024 and 2023, respectively.

The aggregate intrinsic value of options exercisable for the year ended December 31, 2024, was $465,762. The aggregate intrinsic value of options outstanding for the year ended December 31, 2024, was $682,235.

As of December 31, 2024, there was $89,384 of unrecognized compensation cost that will be recognized in the future, over a weighted-average period of 2.36 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, 2024, 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, 2024 and 2023, the Bank's CBLR ratio was 12.35% and 12.01%, 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 summarize the Company's financial instruments that were measured at fair value at December 31, 2024 and 2023:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
December 31, 2024				
Description of financial instrument				
Assets measured at fair value on a recurring basis				
U.S. treasury and government agencies	$ 39,104,120	$ -	$ 39,104,120	$ -
Government sponsored mortgage-backed securities	18,792,018	-	18,792,018	-
Municipal bonds	15,765,400	-	15,765,400	-
Corporate bonds	17,409,421	-	17,409,421	-

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
December 31, 2023				
Description of financial instrument				
Assets measured at fair value on a recurring basis				
U.S. treasury and government agencies	$ 51,030,276	$ -	$ 51,030,276	$ -
Government sponsored mortgage-backed securities	18,566,257	-	18,566,257	-
Municipal bonds	18,088,781	-	18,088,781	-
Corporate bonds	18,497,531	-	18,497,531	-
Assets measured at fair value on a nonrecurring basis				
Collateral dependent loans	46,481	-	-	46,481

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.

Collateral dependent 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:

	2024		2023	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets:				
Cash and cash equivalents	$ 4,680,321	$ 4,680,321	$ 3,636,240	$ 3,636,240
Deposits with other banks	1,490,000	1,490,000	1,490,000	1,490,000
Securities available for sale	91,070,959	91,070,959	106,182,845	106,182,845
Other restricted stock	899,159	899,159	331,759	331,759
Loans, net	131,443,610	131,562,189	116,764,009	116,869,345
Accrued interest receivable	1,021,910	1,021,910	1,142,571	1,142,571
Financial liabilities:				
Deposits	195,558,410	195,494,334	195,181,455	195,128,269
Federal Reserve Bank advances	12,700,000	12,700,000	-	-
Federal Reserve Bank advances	-	-	15,500,000	15,500,000
Federal funds purchased	2,697,000	2,697,000	1,096,000	1,096,000
Accrued interest payable	94,159	94,159	82,538	82,538

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, 2024 and 2023, other income includes $593,912 and $602,704, respectively, of interchange income which is within the scope of ASC 606; the remaining balance of $139,085 and $127,545, 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.