FOUNDERS
BANK

Washington, District of Columbia

Audited Financial Statements

December 31, 2024 and 2023

FOUNDERS BANK

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Independent Auditor's Report

Board of Directors
Founders Bank
Washington, D.C.

Opinion

We have audited the financial statements of Founders Bank (the "Bank"), which comprise the balance sheets as of as of December 31, 2024 and 2023, and the related statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

Tysons, Virginia
March 13, 2025

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Balance Sheets

December 31, 2024 and 2023

	2024	2023
Assets		
Cash and due from banks	$ 44,582,791	$ 39,823,509
Securities available for sale, at fair market value	7,168,740	13,370,881
Restricted Investments, at cost	722,700	878,100
Loans, net of allowance for credit losses of $2,631,461 for 2024 and $2,424,046 for 2023	273,075,451	226,194,505
Premises and Equipment, Net	911,960	861,300
Right of Use Lease Asset, Net	4,180,653	3,749,986
Accrued Interest Receivable	761,655	672,579
Deferred Tax Asset	1,947,737	-
Bank Owned Life Insurance	5,007,445	-
Other Assets	306,728	309,903
Total assets	$ 338,665,860	$ 285,860,763
Liabilities		
Noninterest Checking	$ 78,870,968	$ 64,249,114
Interest Bearing Checking	64,145,811	41,166,057
Money Market Accounts	78,177,486	70,531,234
Savings Accounts	769,351	295,615
Certificates of Deposits	45,206,645	43,499,450
Total deposits	267,170,261	219,741,470
Borrowings	13,500,000	13,500,000
Accrued Interest payable	368,514	177,422
Right of Use Lease Liability, Net	4,816,333	4,082,887
Other Liabilities	2,155,882	1,427,124
Total liabilities	288,010,990	238,928,903
Stockholders' Equity		
Preferred Stock 5,000,000 shares authorized, none issued and outstanding at December 31, 2024 and 2023	-	-
Common Stock $.01 par value, 20,000,000 shares authorized, 5,388,320 and 5,386,000 shares issued and outstanding at December 31, 2024 and 2023	53,883	53,860
Additional paid in capital	55,728,736	55,343,031
Accumulated other comprehensive income (loss)	(1,192,731)	(2,333,172)
Accumulated deficit	(3,935,018)	(6,131,859)
Total stockholders' equity	50,654,870	46,931,860
Total liabilities and stockholders' equity	$ 338,665,860	$ 285,860,763

See Notes to Financial Statements.

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Statements of Operations

For the years ended December 31, 2024 and 2023

	2024	2023
Interest income		
Interest and fees on loans	$ 15,437,392	$ 11,784,949
Interest on securities	170,278	186,459
Interest on deposits in other financial institutions	2,653,729	1,976,278
Total interest income	18,261,399	13,947,686
Interest Expense		
Deposits	6,850,012	4,103,977
Borrowings	638,783	664,941
Total interest expense	7,488,795	4,768,918
Net Interest Income	10,772,604	9,178,768
Provision for Credit Losses	207,415	386,654
Provision (recovery) for Unfunded Commitments	(29,174)	140,535
Total provision for credit losses	178,241	527,189
Net Interest Income after provision for credit losses	10,594,363	8,651,579
Noninterest Income		
Service charges on deposits	67,960	55,317
Other noninterest income	16,629	-
Gains (losses) on securities available for sale	(434,499)	-
Total noninterest income	(349,910)	55,317
Noninterest Expenses		
Salaries and benefits	6,280,968	4,652,518
Occupancy & Equipment	748,186	592,413
Data Processing	882,126	762,294
Professional services	402,112	356,478
Director Expenses	287,493	275,193
Advertising & Marketing	146,905	80,806
Business Development	103,810	56,338
Insurance	72,338	56,693
FDIC Insurance	247,030	194,899
Other expenses	251,451	222,296
Total noninterest expenses	9,422,419	7,249,928
Net Income before income taxes	$ 822,034	$ 1,456,968
Income taxes (benefit)	(1,374,807)	126,358
Net Income	$ 2,196,841	$ 1,330,610

See Notes to Financial Statements.

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Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

	2024	2023
Comprehensive Income		
Net Income	$ 2,196,841	$ 1,330,610
Other comprehensive income:		
Unrealized gain on securities available for sale	221,269	219,371
Tax effect	(46,629)	-
Reclassification adjustment for net loss included in income	434,499	-
Tax effect	(141,860)	-
Recognition of deferred tax asset on available for sale	673,162	-
Total other comprehensive income	1,140,441	219,371
Comprehensive Income	$ 3,337,282	$ 1,549,981

See Notes to Financial Statements.

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Statements of Changes in Stockholders' Equity

For the years ended December 31, 2024 and 2023

	Common Shares Outstanding	Common Stock	Additional Paid In Capital ("APIC")	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2022	5,386,000	$ 53,860	$ 55,007,647	$ (7,099,777)	$ (2,552,543)	$ 45,409,187
Cumulative effect adjustment for Adoption of ASU 2016-13			-	(362,692)		(362,692)
Net Income	-	-	-	1,330,610	-	1,330,610
Other comprehensive income	-	-	-	-	219,371	219,371
Stock-based compensation	-	-	335,384	-	-	335,384
Balance at December 31, 2023	5,386,000	$ 53,860	$ 55,343,031	$ (6,131,859)	$ (2,333,172)	$ 46,931,860
Exercise of stock options	2,320	23	23,177	-	-	23,200
Net Income	-	-	-	2,196,841	-	2,196,841
Other comprehensive income	-	-	-	-	1,140,441	1,140,441
Stock-based compensation	-	-	362,528	-	-	362,528
Balance at December 31, 2024	5,388,320	$ 53,883	$ 55,728,736	$ (3,935,018)	$ (1,192,731)	$ 50,654,870

See Notes to Financial Statements.

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Statements of Cash Flows

For the years ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 2,196,841	$ 1,330,610
Net accretion of discount on investment securities	38,383	44,293
Depreciation and amortization	154,641	141,466
Lease asset amortization	590,087	347,312
Provision for credit losses	178,241	527,189
Stock based compensation expense	362,528	335,384
Losses on available for sale securities	434,499	-
Deferred income tax benefit	(1,463,064)	-
Changes in assets and liabilities:		
(Increase) in accrued interest	(89,076)	(209,703)
(Increase) in other assets	(4,270)	(59,858)
Increase (decrease) in accrued expenses and other liabilities	661,716	(71,500)
Net cash provided by operating activities	3,060,526	2,385,193
Cash Flow from Investing Activities		
Proceeds from sale of available for sale securities	$ 5,220,795	$ -
Proceeds from maturities and prepayments of securities available for sale	1,164,233	1,230,022
Purchase (redemption) of restricted investments	155,400	(41,900)
Purchase of Bank Owned Life Insurance (BOLI)	(5,000,000)	-
Net increase in loans	(47,088,361)	(47,775,077)
Purchases of premises and equipment	(205,302)	(42,179)
Net cash (used in) investing activities	(45,753,235)	(46,629,134)
Cash Flow from Financing Activities		
Net increase in demand, savings, interest bearing checking and money market deposits	45,721,596	39,821,912
Net increase in time deposits	1,707,195	12,159,791
Proceeds from exercise of stock options	23,200	-
Net (decrease) increase in borrowings	-	(4,500,000)
Net cash provided by financing activities	47,451,991	47,481,703
Net increase in cash and cash equivalents	4,759,282	3,237,762
Cash and cash equivalents, beginning of period	39,823,509	36,585,747
Cash and cash equivalents, end of period	$ 44,582,791	$ 39,823,509

See Notes to Financial Statements.

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Statements of Cash Flows (continued)

For the years ended December 31, 2024 and 2023

	2024	2023
Supplemental disclosure of cash flow information		
Interest paid	$ 7,120,281	$ 4,687,467
Income taxes paid	102,000	126,358
Supplemental disclosure of noncash investing and financing activities		
Net change in unrealized gain on investment securities	467,279	219,371
Recognition of deferred tax asset on available for sale	673,162	
Cumulative effect adjustment for adoption of ASU 2016-13	-	362,692
Right of use asset obtained in exchange for new operating lease liability	878,524	-

See Notes to Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Founders Bank (the “Bank”) was organized March 31, 2020 under the laws of the District of Columbia (“DC”) with one branch to engage in general business banking serving the community in and around the DC metropolitan area. The Bank was in organization during the period from January 2019 through March 30, 2020 doing business as a Maryland limited liability company called The Current Group, Inc (“Current Group”). In 2024, the Bank opened a loan production office in Arlington, Virginia.

The Bank commenced regular operations on April 13, 2020 and is a member of the Federal Deposit Insurance Corporation (”FDIC”). It is subject to the regulations of the FDIC and District of Columbia Department of Insurance and Banking (“DISB”). Consequently, it will undergo periodic examinations by these regulatory authorities.

In its initial common stock offering, the Bank sold 3,000,000 shares of its common stock par value $.01 per share, at $10.00 per share. Of the proceeds, $29,970,000 was credited to additional paid in capital. The Bank completed a second common stock offering in 2022, with two closings in September and December. In this second offering, the Bank sold 2,381,000 shares of its common stock par value $.01 per share, at $10.50 per share. Of these proceeds, $24,945,405 was credited to additional paid in capital, net of direct costs.

Basis of Presentation

The accounting and reporting policies of the Bank conform to accounting principles generally accepted in the United States of America (“GAAP”) and prevailing practices within the financial services industry for financial information. The more significant of these policies are summarized below.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near-term relate to the determination of the allowance for credit losses.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, cash items in the process of clearing, federal funds sold, and interest-bearing deposits with banks with original maturities of less than 90 days. Generally, federal funds are sold as overnight investments. Total exposures of correspondent bank account balances in excess of the FDIC insured limit of $250,000 were $178,235 and $197,309 at December 31, 2024 and 2023, respectively.

Investment Securities

Investments held-to-maturity represents securities that the Company has both the intent and ability to hold until maturity. Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are acquired as part of the Bank's asset/liability management strategy and may be sold in response to changes in interest rates, loan demand, changes in prepayment risk and other factors. Securities available-for-sale are carried at estimated fair value, with unrealized gains or losses based on the difference between amortized cost and fair value not related to a credit loss is reported as accumulated other comprehensive income (loss), net of deferred taxes, a separate component of stockholders' equity, when appropriate. Realized gains and losses, using the specific identification method, are included as a separate component of noninterest income. Related interest and dividends are included in interest income. A periodic assessment of the fair market value of individual securities is performed to determine if declines in the fair value below their amortized cost are due to credit losses and therefore recorded as a corresponding allowance for credit loss. Factors related to this assessment include the rating of a security by a rating agency, a significant deterioration in the financial condition of the issuer, or a change in management's intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans and Leases

Loans and leases are stated at their principal balance outstanding, plus deferred origination costs, less unearned discounts and deferred origination fees. Interest on loans and leases is credited to income based on the principal amounts outstanding. Origination fees and costs are amortized to income over the contractual life of the related loans and leases. Generally, accrual of interest on a loan or lease is discontinued when the loan or lease is delinquent more than 90 days unless the collateral securing the loan or lease is sufficient to liquidate the loan. All interest accrued but not collected for loans and leases that are placed on non-accrual or charged-off is reversed against interest income. Interest on these loans and leases is accounted for on the cash basis, until qualifying for return to accrual. Loans and leases are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The segments of the Bank's loan and lease portfolio are disaggregated to a level that allows management to monitor risk and performance. The residential mortgage loan segment is further disaggregated into two classes: first lien mortgages and second or junior lien mortgages. The commercial real estate ("CRE") loan segment is further disaggregated into two classes; owner occupied loans and non-owner occupied loans. Non-owner occupied CRE loans, which include loans secured by non-owner occupied nonfarm nonresidential properties and multifamily, generally have a greater risk profile than owner occupied CRE loans.

Allowance for Credit Losses

On January 1, 2023, the Bank adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments ("CECL"), which replaced the incurred loss methodology for determining the provision for credit losses and allowance for credit losses ("ACL") with the CECL methodology. The measurement of expected credit losses under the CECL methodology applies to financial assets subject to credit losses and measured at amortized cost, and certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity ("HTM") securities, loan commitments, and financial guarantees. The ACL does not include any measurement of accrued interest. In addition, ASU 2016-13 made changes to the accounting for available-for-sale securities ("AFS") debt securities. Credit-related impairments of AFS debt securities are now recognized through an allowance for credit loss rather than a write-down of the securities' amortized cost basis when management does not intend to sell or believes that it is not likely that they will be required to sell the securities prior to recovery of the securities amortized cost basis.

The Bank adopted ASU 2016-13 using the modified retrospective method. Results for reporting periods beginning after January 1, 2023 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable GAAP. At adoption, the Bank did not hold HTM investment debt securities.

The following table shows the impact of the Bank's adoption of ASC 326:

	January 1, 2023		
	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Construction	$ 258,696	$ 250,463	$ 8,233
Residential - first lien	159,275	82,997	76,278
Residential - junior lien	182,998	107,302	75,696
Commercial - owner occupied	163,906	223,007	(59,101)
Commercial - non-owner occupied	1,216,022	1,185,798	30,224
Commercial	58,993	38,704	20,289
Consumer and other	2	2,570	(2,568)
	$ 2,039,892	$ 1,890,841	$ 149,051
Liabilities: Reserve for Unfunded Commitments	213,641	-	213,641
Total impact of ASC 326 adoption from retained earnings			$ 362,692

The allowance for credit losses ("ACL") is an estimate of the expected credit losses for loans held for investment and off-balance sheet exposures. ASU 2016-13 replaced the incurred loss model that recognized a loss when it became probably that a credit loss had occurred, with a model that immediately recognizes the credit loss expected to occur over the lifetime of a financial asset whether originated or purchased. Charge-offs are recorded to the ACL when management believes the loan is uncollectible. Subsequent recoveries, if any, are credited to the ACL.

The Bank has determined that non-accrual substandard loans are to be individually evaluated unless further analysis in the future suggests a change is needed to the dollar threshold of the assets based on the credit environment at that time. The expected credit losses on individually evaluated loans will be estimated based on discounted cash flow analysis unless the loan meets the criteria for use of the fair value of collateral, either by virtue of an expected foreclosure or through meeting the definition of collateral dependent. Financial assets that have been individually evaluated can be returned to a pool for purposes of estimating the expected credit loss insofar as their credit profile improves and that the repayment terms were not considered to be unique to the asset.

The ACL is based on the average charge-off method and includes quantitative estimates of losses for collectively and individually evaluated loans. The model-based quantitative estimate for collectively evaluated loans is determined using historical peer loss rates at the segment level and applied at the loan level against the expected exposure at default. The historic loss factors of peer banks are used until the Bank's own portfolio has matured and can provide sufficient data for the analysis. Qualitative adjustments to the quantitative estimate may be made using information not considered in the quantitative model.

The Bank uses a range of data to estimate expected credit losses under CECL, including information about past events, current conditions, and reasonable and supportable forecasts relevant to assessing the collectability of cash flows of the loans. The forecasts include economic data for the national unemployment rate and real gross domestic product over a twelve-month period as compared to averages. Historical loss experience serves as the foundation for our estimated credit losses.

In addition to historic loss factors, the Bank's methodology for the allowance for credit losses also incorporates other risk factors that may be inherent within the portfolio segments. For each portfolio segment, in addition to the historic loss experience, the other factors that are measured and monitored in the overall determination of the allowance include:

- current delinquency experience and trends.
- trends in volume, terms of loans and loans to single borrowers.
- effects of any changes in lending policies, risk ratings and results of independent loan review.
- experience, ability, and depth of management.
- national and local economic trends, and conditions.
- credit concentrations.
- other factors that management considers relevant to the quality or performance of the portfolio.

Each of these qualitative risk factors is measured based upon data generated either internally, or in the case of economic conditions utilizing independently provided data on items such as unemployment rates, real gross domestic product rates, commercial real estate vacancy rates, or other market data deemed relevant to the business conditions within the markets served.

Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on individually evaluated loans and leases, estimated losses on pools of homogenous loans and leases based on historical loss experience and consideration of economic trends, all of which may be susceptible to significant change. Evaluations are conducted at least quarterly and more often if deemed necessary.

The Bank's loan and lease policies state that after all collection efforts have been exhausted, and the loan or lease is deemed to be a loss, then the remaining loan or lease balance will be charged to the Bank's established allowance for credit losses. All loans and leases are evaluated for loss potential once it has been determined that the likelihood of repayment is in doubt. When a loan is past due for at least 90 days or a deterioration in debt service coverage ratio, guarantor liquidity, or loan-to-value ratio has occurred that would cause concern regarding the likelihood of the full repayment of principal and interest, and the loan or lease is deemed not to be well secured, the loan or lease would be moved to non-accrual status and a specific reserve is established if the net realizable value is less than the principal value of the loan balance(s). Once the actual loss value has been determined, a charge-off against the allowance for credit losses for the amount of the loss is taken. Each loss is evaluated on its specific facts regarding the appropriate timing to recognize the loss. Management believes the ACL is in accordance with the U.S. GAAP and in compliance with appropriate regulatory guidelines.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization computed using the straight-line method. Premises and equipment are depreciated over the useful lives of the assets, which generally range from 3 to 10 years for furniture and equipment and 3 years for software. Leasehold improvements are amortized over the lesser of the life of the lease agreement or 15 years. The costs of major renewals and betterments are capitalized, while the costs of ordinary maintenance and repairs are included in noninterest expense.

Leases

The Company determines if an arrangement is a lease at inception. Right-of-use (“ROU”) assets and lease liabilities are presented separately on the balance sheet.

ROU assets represent the Bank’s right to use an underlying asset for the lease term, and lease liabilities represent the Bank’s obligation to make lease payments arising from the lease arrangements. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of the expected future lease payments over the remaining lease term. In determining the present value of future lease payments, the Bank uses its incremental borrowing rate based on the information available at the lease commencement date. The operating ROU assets are adjusted for any lease payments made at or before lease commencement date, initial direct costs and any lease incentives received. The Bank’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Bank will exercise such options. Lease expense is recognized on a straight line basis over the expected lease term. Lease agreements that include lease and non-lease components, such as common area maintenance charges, are accounted for separately.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating loss carryforwards, and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. 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. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Comprehensive Income/Loss

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, are reported as a separate component of the equity section of the balance sheet, net of the related income tax impact. Such items, along with net income, are components of comprehensive income. The Bank’s sole component of accumulated other comprehensive income/loss is unrealized gains/losses on available for sale securities.

Fair Value

Fair value of financial instruments and certain other assets are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market value conditions could significantly affect the estimates.

Recent Accounting Pronouncements

ASU 2020-04: *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. In March 2020, the FASB issued guidance to provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The amendments are effective as of March 12, 2020 through December 31, 2022. In December 2022, FASB issued ASU 2022-06 to defer the sunset date of ASC 848, Reference Rate Reform from December 31, 2022 to December 31, 2024. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2023-09: *Income Taxes: Improvements to Income Tax Disclosures.* In December 2023, the FASB amended the Income Taxes topic in the Accounting Standards Codification to improve the transparency of income tax disclosures. The amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2024-02: *Codification Improvements-Amendments to Remove References to the Concepts Statements.* In March 2024, the FASB issued amendments to the Codification that remove references to various FASB Concepts Statements. The amendments are effective for fiscal years beginning after December 15, 2025. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company will apply the amendments prospectively to all new transactions recognized on or after the date that the Company first applies the amendments. The Company does not expect these amendments to have a material effect on its financial statements.

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

Note 2 - Cash and Due from Banks

Cash and cash equivalents include cash and due from banks, interest bearing deposits and federal funds sold. The interest bearing deposits have current interest rates between 1.88% and 4.88%. The Bank is required by regulations to maintain an average cash reserve balance based on a percentage of deposits. At December 31, 2024 and 2023, the requirements were satisfied by amounts on deposit with the Federal Reserve Bank and cash on hand.

Note 3 – Securities Available for Sale

The amortized cost and estimated fair values of securities available for sale are as follows:

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Mortgage backed securities	$ 3,721,190	$ -	$ (572,954)	$ 3,148,236
Collateralized mortgage obligations	4,111,242	-	(858,058)	3,253,184
Municipals	1,013,712	-	(246,392)	767,320
Total	$ 8,846,144	$ -	$ (1,677,404)	$ 7,168,740

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities of U.S. Government and federal agencies	$ 4,000,000	$ -	$ (355,595)	$ 3,644,405
Mortgage backed securities	6,181,077	-	(806,457)	5,374,620
Collateralized mortgage obligations	4,506,822	-	(931,386)	3,575,436
Municipals	1,016,154	-	(239,734)	776,420
Total	$ 15,704,053	$ -	$ (2,333,172)	$ 13,370,881

There were no held-to-maturity securities at December 31, 2024 or 2023. The market value of securities pledged as collateral to secure borrowing at the Federal Reserve Bank ("FRB") was $4,112,757 at December 31, 2024.

For the year ended December 31, 2024, proceeds from sale of securities available-for-sale amounted to $5,220,795 resulting in a gross pre-tax loss of $434,499. There were no sales or securities called during the year ended December 31, 2023.

Information related to unrealized losses in the investment portfolio as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Less than Twelve Months		Over Twelve Months	
	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value
Mortgage backed securities	$ -	$ -	$ (572,954)	$ 3,148,236
Collateralized mortgage obligations	-	-	(858,058)	3,253,184
Municipals	-	-	(246,392)	767,320
Total	$ -	$ -	$ (1,677,404)	$ 7,168,740

	December 31, 2023			
	Less than Twelve Months		Over Twelve Months	
	Gross Unrealized (Losses)	Fair Value	Gross Unrealized (Losses)	Fair Value
Securities of U.S. Government and federal agencies	$ -	$ -	$ (355,595)	$ 3,644,405
Mortgage backed securities	-	-	(806,457)	5,374,620
Collateralized mortgage obligations	-	-	(931,386)	3,575,436
Municipals	-	-	(239,734)	776,420
Total	$ -	$ -	$ (2,333,172)	$ 13,370,881

Management evaluates securities for credit losses under the new CECL guidelines on a quarterly basis. The implementation of CECL replaced the previous other-than-temporary impairment ("OTTI") guidelines. This impairment model for debt securities classified as AFS differs from the CECL model because AFS securities are measured at fair value rather than amortized cost. The guidance requires an estimate of expected credit losses only when the value of an AFS debt security is below its amortized cost basis, and credit losses are limited to that amount by which the amortized cost exceeds its fair value. There are no allowance for credit losses for debt securities at December 31, 2024 and 2023.

A similar review is performed to determine whether a decline in the fair value below the amortized cost basis is due to credit-related factors or non-credit related factors. Any impairment that is not credit related is recognized in Other Comprehensive Income ("OCI"), net of applicable taxes.

Credit-related impairment is recognized as an allowance on the balance sheet with an offset to earnings. Both the allowance and the offset to net income can be reversed if conditions change.

If the Bank intends to sell an impaired AFS debt security or more likely than not will be required to sell before recovering its amortized cost, the impairment must be recognized in earnings with an adjustment to the amortized cost basis. Because the security's amortized cost is adjusted to fair value, there is no allowance in this situation.

The scheduled maturities of available for sale securities were as follows:

	Amortized Cost	Fair Value
Within 1 year	$ -	$ -
After 1 year through 5 years	-	-
After 5 years through 10 years	506,768	396,210
Over 10 years	4,618,186	3,624,294
Mortgage backed securities	3,721,190	3,148,236
Total	$ 8,846,144	$ 7,168,740

The table above shows contractual maturities of U.S. government-sponsored agencies and municipal securities at December 31, 2024. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

Note 4 – Loans Receivable

Major categories and balances of loans outstanding at December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Real Estate:		
Construction	$ 52,394,596	$ 57,114,336
Residential - first lien	24,795,101	18,004,772
Residential - junior lien	17,218,001	14,093,941
Commercial - owner occupied	21,073,712	19,021,854
Commercial - non-owner occupied	151,838,198	112,606,392
Commercial	7,807,294	7,393,240
Consumer and other	798,815	636,786
	$ 275,925,717	$ 228,871,321
Deferred original fees, net	(218,805)	(252,770)
Allowance for credit losses	(2,631,461)	(2,424,046)
Loans receivable, net	$ 273,075,451	$ 226,194,505

The Bank considers a loan to be past due or delinquent when the terms of the contractual obligation are not met by the borrower. An analysis of past due loans as of December 31, 2024 and 2023 is as follows:

December 31, 2024	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due	Nonaccrual Loans
Construction	$ -	$ -	$ -	$ 52,394,596	$ 52,394,596	$ -	$ -
Residential - first lien	-	-	-	24,795,101	24,795,101	-	-
Residential - junior lien	-	-	-	17,218,001	17,218,001	-	-
Commercial - owner occupied	-	-	-	21,073,712	21,073,712	-	-
Commercial - non-owner occupied	-	-	-	151,838,198	151,838,198	-	-
Commercial	-	-	-	7,807,294	7,807,294	-	-
Consumer and other	-	-	-	798,815	798,815	-	-
	$ -	$ -	$ -	$ 275,925,717	$ 275,925,717	$ -	$ -

December 31, 2023	Loans 30-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due	Nonaccrual Loans
Construction	$ -	$ -	$ -	$ 57,114,336	$ 57,114,336	$ -	$ -
Residential - first lien	787,500	-	787,500	17,217,272	18,004,772	-	-
Residential - junior lien	-	-	-	14,093,941	14,093,941	-	-
Commercial - owner occupied	-	-	-	19,021,854	19,021,854	-	-
Commercial - non-owner occupied	-	-	-	112,606,392	112,606,392	-	-
Commercial	-	-	-	7,393,240	7,393,240	-	-
Consumer and other	-	-	-	636,786	636,786	-	-
	$ 787,500	$ -	$ 787,500	$ 228,083,821	$ 228,871,321	$ -	$ -

There were no loans classified as collateral dependent or nonaccrual as of December 31, 2024 or 2023 or during the periods then ended. All loans were pass rated for both periods. There were no loans designated as modifications for borrowers who were experiencing financial difficulty for the years ended December 31, 2024, or 2023.

Overdrafts totaling $97 and $24 at December 31, 2024 and 2023 were reclassed from deposits to loans. The Bank makes loans to customers primarily in the Washington, D.C. metropolitan area. Although the loan portfolio is diversified, its performance will be influenced by the local and regional economy. The Bank's loan categories are described below.

Construction – Construction loans are offered within the DC area for the construction of commercial and residential properties and include loans for the acquisition and development of land. The loan commitment on these loans often includes an interest reserve that allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan.

Residential – first lien – This type of loan contains permanent mortgage loans principally to consumers secured by residential real estate. Residential real estate loans are valued for the adequacy of repayment sources at the time of approval based upon measures including credit scores, debt-to-income ratios and collateral values.

Residential – junior liens – this category of loans includes primarily home equity loans and revolving lines of credit which are secured by residential real estate.

Commercial owner occupied real estate – commercial owner occupied real estate loans consist of commercial mortgage loans secured by owner occupied properties with funds used to conduct the borrower's operations. The primary source of repayment is the cash flow from the business and is based upon the borrower's financial health and ability of the borrower and the business to repay.

Commercial non owner occupied real estate – this category of loans consists of loans involving nonresidential investment properties such as warehouses, hotels, retail and office space. Repayments are made from an income stream or proceeds from a sale of property.

Commercial – commercial loans are made to provide funds for equipment and general business needs. The loan repayment source is cash flow from the business operations. Secured collateral may include general business assets and personal guarantees from the borrower or other principal.

Consumer and other loans – this category is typically a personal loan granted as an accommodation to an existing customer.

The following are analyses of activity in the allowance for credit losses by portfolio segment as of and for the periods ended December 31, 2024 and 2023.

December 31, 2024	Beginning Balance	Charge- Offs	Recoveries	Provision for (recovery of) Credit Losses	Ending Balance
Construction	$ 407,111	$ -	$ -	$ 126,471	$ 533,582
Residential - first lien	272,967	-	-	79,483	352,450
Residential - junior lien	196,537	-	-	39,321	235,858
Commercial - owner occupied	167,566	-	-	(30,569)	136,997
Commercial - non-owner occupied	1,281,791	-	-	32,613	1,314,404
Commercial	81,378	-	-	(43,375)	38,003
Consumer and other	16,696	-	-	3,471	20,167
	$ 2,424,046	$ -	$ -	$ 207,415	$ 2,631,461

December 31, 2023	Beginning Balance	Impact of ASC 326 Adoption	Charge- Offs	Recoveries	Provision for Credit Losses	Ending Balance
Construction	$ 250,463	$ 8,233	$ -	$ -	$ 148,415	$ 407,111
Residential - first lien	82,997	76,278	-	-	113,692	272,967
Residential - junior lien	107,302	75,696	-	-	13,539	196,537
Commercial - owner occupied	223,007	(59,101)	-	-	3,660	167,566
Commercial - non-owner occupied	1,185,798	30,224	-	-	65,769	1,281,791
Commercial	38,704	20,289	-	-	22,385	81,378
Consumer and other	2,570	(2,568)	(2,500)	-	19,194	16,696
	$ 1,890,841	$ 149,051	$ (2,500)	$ -	$ 386,654	$ 2,424,046

The following tables detail the disaggregation of the allowance and outstanding loan balances by impairment method as of and for the periods ended December 31, 2024 and 2023.

	Allowance for Loan Losses Ending Balance Evaluated for Impairment		Outstanding Loan Balances Evaluated for Impairment	
December 31, 2024	Individually	Collectively	Individually	Collectively
Construction	$ -	$ 533,582	$ -	$ 52,394,596
Residential - first lien	-	352,450	-	17,218,001
Residential - junior lien	-	235,858	-	24,795,101
Commercial - owner occupied	-	136,997	-	21,073,712
Commercial - non-owner occupied	-	1,314,404	-	151,838,198
Commercial	-	38,003	-	7,807,294
Consumer and other	-	20,167	-	798,815
	$ -	$ 2,631,461	$ -	$ 275,925,717

	Allowance for Loan Losses Ending Balance Evaluated for Impairment		Outstanding Loan Balances Evaluated for Impairment	
December 31, 2023	Individually	Collectively	Individually	Collectively
Construction	$ -	$ 407,111	$ -	$ 57,114,336
Residential - first lien	-	272,967	-	18,004,772
Residential - junior lien	-	196,537	-	14,093,941
Commercial - owner occupied	-	167,566	-	19,021,854
Commercial - non-owner occupied	-	1,281,791	-	112,606,392
Commercial	-	81,378	-	7,393,240
Consumer and other	-	16,696	-	636,786
	$ -	$ 2,424,046	$ -	$ 228,871,321

Internally assigned risk ratings assist the Bank in determining the risk profile of each loan in the loan portfolio and changes in the internally assigned risk ratings are useful in monitoring trends in loan portfolio quality. The four major categories used by the Bank are Pass, Special Mention, Substandard and Doubtful and can be described as follows:

- Pass - these loans have a risk profile which range from highest quality with minimal credit risk to loans requiring management attention but still have an acceptable risk profile and continue to perform primarily as contracted. All loans were pass rated as of December 31, 2024 and 2023.

- Special Mention - these loans have potential weaknesses which may inadequately protect the Bank's credit position at some future date. Unlike a Pass rated credit, adverse trends in the obligor's operations and/or financial position are evident but have not yet developed into well-defined credit weaknesses. Specific negative events within the obligor or the industry may jeopardize cash flow. Highly cyclical or vulnerable to economic or market conditions. Management has potential weaknesses and backup depth is essentially absent. Borrower is taking positive steps to alleviate potential weaknesses and has the potential for improvement and upgrade. Assets which might be detailed in this category include credits with significant structural deficiencies, e.g. an inadequate loan agreement, the condition and control of collateral, failure to obtain proper documentation or any other deviation from prudent lending practices. Structural weakness could be a mismatch of projected cash flows with the loan's repayment requirements. Corrective strategy to protect the bank may be required and active management attention is warranted. Some minor delinquency may exist.

- Substandard - has a well-defined weakness or weaknesses in the primary source of repayment and undue reliance is placed on the secondary repayment sources, e.g. collateral or guarantors. No loss is expected at this time based on a current assessment of collateral values and guarantor cash flow. However, there is the distinct possibility that the bank may sustain some future loss if the credit weaknesses are not corrected. Management is inadequate to the extent that the ability of the business to continue operations is in question. Intensive effort to correct the weakness and ensure protection against loss of principal (e.g. additional collateral) is mandatory. Delinquency of principal or interest may exist.

- Doubtful - A doubtful asset has well-defined weaknesses similar to substandard assets with the added characteristic that collection or liquidation in full, on the basis of currently existing facts, conditions, and values, is highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may improve the collection or quality of the asset, its classification as a loss is deferred until its more exact status can be determined. Examples of pending factors include proposed merger, acquisition, liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans. Borrower is facing extreme financial distress, bankruptcy or liquidation and prospects for recovery are limited. Loans are seriously in default and should be placed on non-accrual status. Collateral and guarantor protection is insufficient. Efforts are directed solely at retirement of debt, e.g. asset liquidation. Because of their highly questionable ability to be collected, assets rated doubtful should not remain in that category for an extended period of time.

Note 5 – Premises and Equipment

The summary of the costs and accumulated depreciation of premises and equipment are as follows:

	2024	2023
Leasehold improvements	$ 1,038,206	$ 926,153
Furniture and equipment	357,017	264,385
Software	229,317	212,407
Construction in progress	-	19,501
	$ 1,624,540	$ 1,422,446
Less: Accumulated depreciation and amortization	(712,580)	(561,146)
Premises and equipment, net	$ 911,960	$ 861,300

Depreciation and amortization expense for premises and equipment was $154,641 and $141,466 for the years ended December 31, 2024 and 2023, respectively.

Note 6 – Leases

The Bank has three operating leases on the administrative offices, bank branch, and loan production office with lease expirations dates between 2030 and 2032, respectively. The lease on the bank branch has two 5-year renewal options.

The Bank's lease information is summarized below:

	2024	2023
Lease Right of Use Asset		
Lease asset	$ 5,932,750	$ 5,054,226
Less: Accumulated amortization	(1,752,097)	(1,304,240)
Net lease asset	$ 4,180,653	$ 3,749,986
Lease Liability		
Lease Liability	$ 6,074,980	$ 5,054,226
Less: Accumulated amortization	(1,258,647)	(971,339)
Net lease liability	$ 4,816,333	$ 4,082,887

Operating lease and rent expense relating to the leases mentioned above totaled $591,902 and $442,221 during the periods ended December 31, 2024 and 2023, respectively. The Bank's lease liability was determined using a weighted average incremental borrowing rate of 2.47% for the period ended December 31, 2024, and 1.61% for the period ended December 31, 2023. The weighted average lease term for the operating leases was 6 years at December 31, 2024, and 7 years at December 31, 2023.

Future minimum payments for operating leases with initial or remaining terms of one year or more are as follows:

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Lease Payment Obligations

2025	$	541,127
2026		598,070
2027		616,190
2028		632,026
2029		648,264
Due thereafter		2,411,295
Less: Interest		(630,639)
	$	4,816,333

Note 7 – Time Deposits

The aggregate amount of time deposits in denominations that met or exceeded the FDIC insurance limit of $250,000 or more was $13,700,619 and $14,055,589 at December 31, 2024 and 2023.

At December 31, 2024, the scheduled maturities of all time deposits are as follows:

2025	$	42,807,385
2026		1,775,518
2027		606,529
2028		-
2029		17,213
	$	45,206,645

There are no time deposits with maturities after 2029.

Note 8 – Borrowings

The Bank was indebted to the Federal Home Loan Bank ("FHLB") for $9,500,000 in the form of advances, and to the Federal Reserve Bank under the Bank Term Funding Program for $4,000,000 at December 31, 2024 as detailed below:

	Balance	Interest Rate	Maturity Date
Daily Rate Credit	$ 6,500,000	4.57%	11/25/2025
1-year Fixed Rate	4,000,000	4.88%	1/23/2025
5-year Fixed Rate	3,000,000	1.47%	12/29/2026
	$ 13,500,000		

The daily rate credit advances listed above can be repaid at any time with no penalty. The Bank's available line of credit with the FHLB is limited to 25% of the Bank's total assets as of the most recent regulatory Call Report for September 2024 and was $82,917,500 at December 31, 2024. All borrowings from the FHLB are secured by a blanket lien on qualified collateral of residential 1-4 family, HELOC's multi-family, and CRE loans totaling $79,014,112 at December 31, 2024.

The Bank also has available lines of credit of $14,000,000 with other correspondent banks. There were no outstanding line of credit balances at December 31, 2024 and December 31, 2023.

Note 9 – Related Party Transactions

In the normal course of business, loans are made to officers, directors, vendors and majority shareholders of the Bank, as well as to their related interests. In the opinion of management, these loans are consistent with sound banking practices, are within regulatory lending limitations and do not involve more than the normal risk of collectability.

Officers, directors and their affiliates had credit outstanding with the Bank of $9,554,000 and $3,665,000 at December 31, 2024 and 2023. The Bank has also extended two lines of credit and one letter of credit to vendors who provide professional services to the Bank, and those total available lines and letters of credit were $707,810 at December 31, 2024 and 2023. There have been no line disbursements and outstanding balances were $0 at December 31, 2024 and 2023.

Deposits from related parties held by the Bank were $6,553,208 and $7,047,082 at December 31, 2024 and December 31, 2023, respectively.

The Company's headquarters is owned by a shareholder. Payments made in accordance with the lease were $290,031 and $309,320 for the years ended December 31, 2024 and December 31, 2023.

Note 10 – Minimum Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators that, if undertaken, could have a direct material impact on the Bank's financial statements. Effective March 31, 2020 (inception), the Bank has opted into the Community Bank Leverage Ratio Framework ("CBLR"). The CBLR is an alternative framework that can be used to determine if the Bank is "well capitalized". The CBLR simplifies the determination of whether or not a bank meets the applicable capital requirements by allowing the determination to be made by calculating a single capital measure. In order to continue to use the measure, the bank must have total assets less than $10 billion and certain other requirements, and maintain a CBLR ratio of at least 9%. The bank is allowed a two quarter grace period if either of those requirements are not met, and the CBLR does not fall below 8%. If the requirements are not met by the end of the grace period, the bank must calculate all the required capital measures under the regulatory framework to determine whether or not it meets capital adequacy guidelines.

Management believes, as of December 31, 2024 and 2023, the Bank meets all capital adequacy requirements to which it is subject. The Bank's capital amounts and ratios are as follows:

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in Thousands)			
As of December 31, 2024:						
CBLR/Tier 1 Capital (to Average Assets)	$ 51,848	15.01%	$ 13,819	4.00%	$ 17,274	5.00%
As of December 31, 2023:						
CBLR/Tier 1 Capital (to Average Assets)	$ 49,265	17.49%	$ 11,267	4.00%	$ 14,084	5.00%

Note 11 – Income Taxes

Operating loss carryforwards:

The Bank has a loss carryforward as of December 31, 2024 of approximately $2,467,789 for federal and state income tax purposes, respectively, that may be used to offset future taxable income. If not previously utilized, the state loss carryforward will begin to expire in 2035. The federal loss carryforward can be carried forward indefinitely.

Current and deferred income tax components:

	2024	2023
Current tax expense	$ 88,257	$ 126,358
Deferred tax benefit	(1,463,064)	-
Provision for income taxes	$ (1,374,807)	$ 126,358

Deferred income tax analyses:

The significant components of deferred tax assets at December 31, 2024 and 2023 are summarized as follows:

	2024	2023
Deferred Tax Assets		
Bad Debt Expense	$ 760,340	$ 700,102
Allowance for Off-Balance Sheet Items	93,907	102,186
Compensation Accruals	118,641	90,779
ASC 842- Lease Liability	1,465,812	1,261,518
Equity Compensation	78,653	37,539
Pre-Opening Costs	155,534	170,457
State Depreciation Adjustment	39,940	38,907
State NOL Carryforwards	74,700	173,775
Federal NOL Carryforwards	304,359	564,012
Unrealized Gain/Loss on AFS securities	484,673	673,162
Valuation Allowance - Unrealized Gain/Loss	-	(673,162)
Valuation Allowance	-	(1,671,905)
	$ 3,576,559	$ 1,467,370

Deferred Tax Liabilities		
Property and equipment	$ (164,942)	$ (163,445)
Deferred Loan Costs	(232,300)	(201,726)
ASC 842- Lease Asset	(1,207,967)	(1,081,939)
Prepaid Expenses	(23,613)	(20,260)
	$ (1,628,822)	$ (1,467,370)
Net deferred tax assets	$ 1,947,737	$ -

The income tax expense for the periods ended December 31, 2024 and 2023, is reconciled to the amount of income tax computed at the federal statutory rate of 21 percent on income before income taxes as follows:

	2024	2023
Federal tax (benefit) at statutory rate	21.00%	21.00%
State tax expense (benefit)	12.51%	11.76%
Federal effect of state tax expense (benefit)	-2.63%	-2.47%
Other deferred taxes	0.00%	-0.40%
Other permanent differences	5.98%	4.12%
Other items	0.23%	-0.03%
Change in valuation allowance	-204.33%	-25.30%
Total tax expense	-167.24%	8.68%

The Bank has analyzed the tax positions taken or expected to be taken in its returns and concluded it has no liability related to uncertain tax positions.

The Bank files tax returns with the federal government, District of Columbia, and the states of Maryland and Virginia.

Note 12 – Benefits Plans

The Bank started a 401K plan in late September 2020 whereby substantially all employees participate in the plan. Employees may contribute a portion of their compensation subject to certain limits based on federal tax laws. The Bank matches dollar for dollar up to 1%, and then 50% of contributions up to another 5%. For the years ended December 31, 2024 and 2023, expenses attributable to the plan were $152,390 and $110,808, respectively.

Note 13 – Stock-Based Compensation

The Bank's 2021 and 2023 Equity Incentive Plan ("the Plan") permits the granting of stock options, restricted stock, restricted stock units and non-qualified stock options to employees and directors for up to 600,000 and 476,200 shares of Founders Bank common stock, respectively. Option awards for employees are generally granted with an exercise price equal to the market price of the Bank's stock at the date of grant, generally vest based on three or five years of continuous service and have ten-year contractual terms. Option awards for directors generally vest over five years and have ten-year contractual terms. At December 31, 2024, 471,818 shares were available to grant under the Plan.

The fair value of each option award is estimated on the date of the grant using a Black-Scholes option valuation model for determining fair value. The model uses the following weighted average assumptions:

- Dividend yield – calculated as the ratio of historical dividends paid per share of common stock to the stock price on the date of grant

- Expected life (term of the option) – based on the average of the contractual life and vesting schedule for the respective options

- Expected volatility – based on the monthly historical volatility of the stock price of similar banks over the expected life of the options

- Risk-free interest rate – based upon the U.S. Treasury bill rate in effect at the time of the grant for bonds with a maturity equal to the expected life of the options

	2024	2023
Dividend yield	0%	0%
Expected life in years	7.3 years	7.3 years
Expected volatility	25%	25%
Risk-free interest rate	4.46%	2.83%

A summary of option activity under the Plan as of December 31, 2024 is as follows:

	Shares	Weighted Average Exercised Price
Outstanding at January 1, 2024	481,947	$ 10.17
Granted	143,115	10.50
Exercised	(2,320)	10.00
Forfeited or expired	(20,680)	10.13
Outstanding at December 31, 2024	602,062	10.17
Exercisable at December 31, 2024	54,150	$ 10.00

Unamortized stock-based compensation related to non-vested share-based compensation arrangements granted under the Plan as of December 31, 2024 and 2023 was $1,239,549 and $1,019,872, respectively. Forfeitures are recognized as they occur. During 2024, there were 20,680 forfeitures of common stock awards. For the years ended December 31, 2024 and 2023 the Bank recognized $362,528 and $335,384 in stock-based compensation expense, respectively.

Note 14 – Warrants

In connection with the initial stock offering, the Bank issued warrants to the original director and non-director organizers of the bank that vested immediately. The fair value of director awards was treated as compensation expense and the organizer awards were treated as part of stockholders' equity. The nondirector organizer grants were a warrant to purchase 1,000 shares of the Bank's common stock at an exercise price of $10.00 per share with an expiration date of March 31, 2030. The director organizer grants were a warrant to purchase 1,400 shares of the Bank's common stock at the same price and expiration as the nondirector warrants above. All 22,800 warrants remain outstanding at December 31, 2024. The weighted average fair value of the warrants granted was $2.27 per share based on volatility of 25%, 5-year average life and risk-free interest rate of .37%.

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Note 15 – Financial Instruments with Off-Balance Sheet Risk and Contingencies

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business. These financial instruments may include commitments to extend credit, standby letters of credit and purchase commitments. The Bank uses these financial instruments to meet the financing needs of its customers. Financial instruments involve, to varying degrees, elements of credit, interest rate, and liquidity risk. These do not represent unusual risks, and management does not anticipate any losses which would have a material effect on the accompanying financial statements.

Outstanding loan commitments at December 31 of each year were as follows:

	2024	2023
Unfunded loan commitments	$ 15,943,780	$ 2,750,000
Unused lines of credit	61,245,473	52,767,297
Letters of credit	307,810	257,810
	$ 77,497,063	$ 55,775,107

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Bank generally requires collateral to support financial instruments with credit risk on the same basis as it does for on-balance sheet instruments. The collateral is based on management's credit evaluation of the counterparty. Commitments have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis.

The Bank records an allowance for unfunded commitments on off-balance sheet credit exposures through a charge to provision for credit loss expense in the Bank's statement of operations. The reserve is estimated by loan segment under the CECL model using the same methodology as portfolio loans, taking into consideration the likelihood that funding will occur, and is included in other liabilities on the Bank's balance sheet.

The following table presents the balance and activity in the allowance for credit losses for unfunded commitments for the year ended December 31, 2024:

	Total Allowance for Credit Losses - Unfunded Commitments
Balance, December 31, 2023	$ 354,176
Provision (recovery) for credit losses	(29,174)
Balance, December 31, 2024	$ 325,002

The Bank maintains it cash accounts in several correspondent banks. The total amount by which cash on deposit in those banks exceeded the federally insured limits at December 31, 2024 is $178,235.

In the normal course of business, the Bank may be involved in litigation arising from banking, financial and other activities it conducts. Management does not anticipate that the ultimate liability, if any, arising out of these matters will have a material effect on the Bank's financial condition, operating results or liquidity.

Note 16 – Fair Value of Financial Instruments

FASB ASC Topic 820 "Fair Value Measurements" defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Bank utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record at fair value other assets on a nonrecurring basis, such as loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Under FASB ASC Topic 820, the Bank groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value. These hierarchy levels are:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active 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 assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

Investment securities available-for-sale:

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

General:

The Bank has no assets measured at fair value on a nonrecurring basis as of December 31, 2024 and 2023. The Bank has no liabilities carried at fair value or measured at fair value on a recurring or nonrecurring basis. Below is a summary of assets carried at fair value or measured at fair value on a recurring basis:

	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
December 31, 2024				
Mortgage backed securities	$ 3,148,236	$ -	$ 3,148,236	$ -
CMO's	3,253,184	-	3,253,184	-
Municipals	767,320	-	767,320	-
	$ 7,168,740	$ -	$ 7,168,740	$ -

	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
December 31, 2023				
Securities of U.S. Government and federal agencies	$ 3,644,405	$ -	$ 3,644,405	$ -
Mortgage backed securities	5,374,620	-	5,374,620	-
CMO's	3,575,436	-	3,575,436	-
Municipals	776,420	-	776,420	-
	$ 13,370,881	$ -	$ 13,370,881	$ -

Note 17 – Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. Management has reviewed events occurring through March 13, 2025, the date the financial statements were available to be issued and no subsequent events occurred requiring accrual or disclosure.