Report of Independent Auditors and
Consolidated Financial Statements

Golden Valley Bancshares, Inc. and Subsidiary

December 31, 2022 and 2021

MOSSADAMS

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Report of Independent Auditors

The Board of Directors and Shareholders
Golden Valley Bancshares, Inc. and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Golden Valley Bancshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive (loss) income, changes in shareholders' 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 Golden Valley Bancshares, Inc. and Subsidiary as of December 31, 2022 and 2021, 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 Golden Valley Bancshares, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Golden Valley Bancshares, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Golden Valley Bancshares, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Golden Valley Bancshares, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Moss Adams LLP

Sacramento, California
March 27, 2023

Consolidated Financial Statements

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 5,862,324	$ 6,831,102
Federal funds sold	18,437,455	4,749,051
Interest-bearing deposits in other financial institutions	7,520,257	35,091,897
Total cash and cash equivalents	31,820,036	46,672,050
Interest-bearing time deposits in other financial institutions	11,922,450	4,977,000
Available-for-sale investment securities, at fair value	85,774,778	178,915,234
Held-to-maturity investment securities, at amortized cost	97,054,831	-
Loans, less allowance for loan losses of $3,955,485 in 2022, and $4,577,778 in 2021	237,945,437	234,603,535
Bank premises and equipment, net	1,990,406	1,934,035
Right-of-use (ROU) lease asset	997,583	1,056,199
Bank-owned life insurance, net	1,307,690	1,282,566
Accrued interest receivable and other assets	9,728,975	4,281,173
Total assets	$ 478,542,186	$ 473,721,792
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 172,172,678	$ 170,383,477
Interest-bearing	270,992,229	262,416,401
Total deposits	443,164,907	432,799,878
Federal Home Loan Bank borrowings	-	233,625
Subordinated debt	5,794,660	-
ROU lease liability	1,097,034	1,172,807
Accrued interest payable and other liabilities	1,329,654	854,296
Total liabilities	451,386,255	435,060,606
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred stock – no par value; 5,000,000 shares authorized, none outstanding	-	-
Common stock – no par value; 50,000,000 shares authorized; shares issued and outstanding 2,235,188 in 2022, and 2,240,688 in 2021	19,140,359	19,024,928
Retained earnings	23,570,042	18,990,086
Accumulated other comprehensive (loss) income	(15,554,470)	646,172
Total shareholders' equity	27,155,931	38,661,186
Total liabilities and shareholders' equity	$ 478,542,186	$ 473,721,792

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2022 and 2021

	2022	2021
Interest income:		
Interest and fees on loans	$ 11,682,179	$ 12,797,763
Interest and deposits in other financial institutions	538,588	338,364
Interest on federal funds sold	320,186	1,826
Interest on tax-exempt investment securities	190,413	103,905
Interest on taxable investment securities	3,880,045	2,196,309
Total interest income	16,611,411	15,438,167
Interest expense:		
Interest on deposits	507,684	456,984
Interest on borrowings	244,175	11,109
Total interest expense	751,859	468,093
Net interest income before provision for loan losses	15,859,552	14,970,074
(Recovery of provision) provision for loan losses	(621,227)	583,168
Net interest income after provision for loan losses	16,480,779	14,386,906
Non-interest income:		
Service charges and fees	656,334	544,565
Loss on sale of available-for-sale investment securities	(623,929)	-
Loan mortgage fees	324,286	800,108
Other	57,690	52,388
Total non-interest income	414,381	1,397,061
Non-interest expense:		
Salaries and employee benefits	6,104,801	4,798,416
Occupancy and equipment	799,418	826,395
Other	3,516,985	2,824,836
Total non-interest expense	10,421,204	8,449,647
Net interest income before provision for income taxes	6,473,956	7,334,320
Provision for income taxes	1,894,000	2,175,000
Net income	$ 4,579,956	$ 5,159,320
Basic income per common share	$ 2.04	$ 2.30
Diluted income per common share	$ 1.99	$ 2.25

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31, 2022 and 2021

	2022	2021
Net income	$ 4,579,956	$ 5,159,320
Other comprehensive income:		
Unrealized holding losses arising during the year on available-for-sale investment securities	(16,680,778)	(2,643,232)
Less reclassification adjustment for loss included in net income	623,929	-
Unrealized holding losses on investment securities transferred to held-to-maturity	(5,116,854)	-
Less reclassification adjustment for amortization of unrealized securities transferred to held-to-maturity	343,061	-
Tax effect	4,630,000	783,001
Total other comprehensive loss	(16,200,642)	(1,860,231)
Total comprehensive (loss) income	$ (11,620,686)	$ 3,299,089

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2022 and 2021

	Common Stock		Retained	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Earnings	(Loss) Income	Equity
Balance, December 31, 2020	2,240,688	$ 18,917,359	$ 13,830,766	$ 2,506,403	$ 35,254,528
Net income	-	-	5,159,320	-	5,159,320
Other comprehensive loss	-	-	-	(1,860,231)	(1,860,231)
Share-based compensation	-	184,569	-	-	184,569
Exercise of stock options	11,000	93,500	-	-	93,500
Repurchase of common stock	(11,000)	(170,500)	-	-	(170,500)
Balance, December 31, 2021	2,240,688	19,024,928	18,990,086	646,172	38,661,186
Net income	-	-	4,579,956	-	4,579,956
Other comprehensive loss	-	-	-	(16,200,642)	(16,200,642)
Share-based compensation	-	220,141	-	-	220,141
Exercise of stock options	1,568	15,675	-	-	15,675
Repurchase of common stock	(7,068)	(120,385)	-	-	(120,385)
Balance, December 31, 2022	2,235,188	$ 19,140,359	$ 23,570,042	$(15,554,470)	$ 27,155,931

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income	$ 4,579,956	$ 5,159,320
Adjustment to reconcile net income to net cash provided by operating activities:		
(Recovery of provision) provision for loan losses	(621,227)	583,168
Depreciation and amortization	299,152	290,860
Amortization of ROU lease asset	323,489	287,329
Change in lease liability	(340,646)	(308,890)
Change in deferred loan origination fees, net	(471,044)	(807,785)
Loss on sale of available-for-sale investment securities	623,929	-
Change in deferred income taxes	125,724	(381,628)
Investment securities amortization	606,460	566,884
Share-based compensation expense	220,141	184,569
Increase in cash surrender value of bank-owned life insurance, net	(25,124)	(25,389)
Change in accrued interest receivable and other assets	(759,055)	94,483
Change in accrued interest payable and other liabilities	475,358	(307,135)
Net cash provided by operating activities	5,037,113	5,335,786
Cash flows from investing activities:		
Change in interest-bearing deposits in other financial institutions	(6,945,450)	7,464,500
Purchase of available-for-sale investment securities	(4,750,000)	(91,795,138)
Proceeds from sales and calls of available-for-sale investment securities	9,633,459	276,294
Proceeds from principal payments on available-for-sale investment securities	11,390,733	15,931,417
Purchase of held-to-maturity investment securities	(43,296,625)	-
Proceeds from principal payments on held-to-maturity investment securities	1,047,026	-
Net increase in loans	(2,249,631)	27,154,036
Purchase of Federal Home Loan Bank stock	(196,900)	(26,700)
Purchase of premises and equipment, net	(343,095)	(838,232)
Net cash used in investing activities	(35,710,483)	(41,833,823)
Cash flows from financing activities:		
Increase in demand, interest bearing and savings deposits, net	1,789,202	22,518,114
Increase in time deposits, net	8,575,829	47,254,495
Repayment of FHLB advances	(233,625)	(5,165,297)
Proceeds from subordinated debt	6,000,000	-
Net costs to issue subordinated debt	(205,340)	-
Net cash paid in cashless exercise of stock options and stock repurchases	(104,710)	(77,000)
Net cash provided by financing activities	15,821,356	64,530,312
Net (decrease) increase in cash and cash equivalents	(14,852,014)	28,032,275
Cash and cash equivalents, beginning of year	46,672,050	18,639,775
Cash and cash equivalents, end of year	$ 31,820,036	$ 46,672,050

See accompanying notes.

	2022	2021
Supplemental disclosure of cash-flow information:		
Cash paid during the year:		
Interest expense	$ 729,934	$ 534,745
Income taxes	$ 1,780,000	$ 2,929,808
Supplemental disclosures of noncash activities:		
Unrealized loss on investment securities available-for-sale, net of losses included in net income	$ (16,056,850)	$ (2,643,231)
Unrealized loss on investment securities held-to-maturity	$ (4,773,793)	$ -
Transfer of available for sale securities to held to maturity securities	$ 59,649,379	$ -
Right-of-use lease asset recorded on new leases	$ 264,873	$ -

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Golden Valley Bancshares, Inc. (the "Company") is a bank holding company incorporated under the laws of the State of California on December 2, 2019. The consolidated financial statements include accounts of Golden Valley Bancshares and its wholly-owned subsidiary, Golden Valley Bank (the "Bank"). The Bank was approved as a state-chartered member bank on April 24, 2006, and is subject to regulation by the California Department of Financial Protection and Innovation (the "DFPI") and the Federal Deposit Insurance Corporation (the "FDIC"). The Company is headquartered in Chico, California, with a full-service office in Redding, California, and provides products and services to customers who are predominately small to middle-market businesses, professionals, and not-for-profit organizations located in Butte, Shasta, and surrounding counties. The Company is scheduled to open its new Business Banking Office in Oroville, California in 2023.

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. A summary of the more significant accounting and reporting policies follows. Certain reclassifications were made to the prior year financial statements to conform to the current year consolidated financial statement presentation. Such reclassifications have no impact on previously reported net income or shareholders' equity.

Principals of consolidation – All significant intercompany balances and transactions have been eliminated in consolidation.

Subsequent events – Management has evaluated subsequent events for recognition and disclosure through March 27, 2023, which is the date the consolidated financial statements were available to be issued.

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to changes in the near term relate primarily to determinations of the allowance for loan losses and the determination of fair value of financial instruments for measurement and disclosure.

Cash and cash equivalents – For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and due from banks, federal funds sold, and interest-bearing deposits in other financial institutions with original maturities of less than three months. Generally, federal funds are sold for one-day periods.

Interest-bearing time deposits in other financial institutions – Interest-bearing time deposits in other financial institutions have original maturities greater than three months and are carried at cost.

Investment securities – Investment securities are classified into the following categories:

- Available-for-sale securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss), net of tax within shareholders' equity.

- Held-to-maturity securities, which management has the positive intent and ability to hold, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value.

Gains and losses on the sale of investment securities are computed using the specific identification method. Interest earned on investment securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities, or to the earliest call date for callable securities purchased at a premium.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also determines if it does not intend to sell, or if it is likely that it will not be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the statement of income, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Federal Home Loan Bank ("FHLB") stock – The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on their level of borrowings and other factors. FHLB stock is carried at cost and is redeemable at par with certain restrictions. Both cash and stock dividends are reported as income.

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

Loans – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at principal balances outstanding. Substantially all loan origination fees, commitment fees, direct loan origination costs and purchase premiums, and discounts on loans are deferred and recognized as an adjustment of yield, to be amortized to interest income over the contractual term of the loan. The unamortized balance of deferred fees and costs is reported as a component of net loans.

Interest income on all loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. A loan is moved to nonaccrual status in accordance with the Company's policy, typically after 90 days of nonpayment.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such 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.

Allowance for loan losses – The allowance for loan losses is an estimate of probable incurred credit losses in the Company's loan portfolio. The allowance is established through a provision for loan losses, which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. Credit exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged-off amounts is recorded as a recovery to the allowance. The overall allowance consists of two primary components, specific reserves related to impaired loans and general reserves for probable incurred losses related to loans that are collectively evaluated for impairment.

For all classes of the portfolio, a loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the original agreement. Loans determined to be impaired are individually evaluated for impairment. When a loan is impaired, the Company measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, it may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is collateral dependent if the repayment of the loan is expected to be provided by the sale or operation of the underlying collateral.

A restructuring of a debt constitutes a troubled debt restructuring ("TDR") if the Company, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Restructured workout loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are identified as, or determined to be, TDRs are considered impaired and measured for impairment as described above.

The determination of the general reserve for loans that are collectively evaluated for impairment is based on estimates made by management, to include, but not limited to, consideration of historical losses by portfolio segment, internal asset classifications, and qualitative factors to include economic trends in the Company's service areas, industry experience and trends, geographic concentrations, estimated collateral values, the Company's underwriting policies, the character of the loan portfolio, and probable losses inherent in the portfolio taken as a whole.

The Company maintains a separate allowance for each portfolio class (loan type). These portfolio classes include real estate construction, commercial real estate, residential real estate, commercial and consumer, and other loans. The allowance for loan losses attributable to each portfolio class, which includes both impaired loans and loans that are collectively evaluated for impairment, is combined to determine the Company's overall allowance, which is included on the consolidated balance sheets.

The Company assigns a risk rating to all loans and periodically performs detailed reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Company's regulators. During these internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate, and the fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into five major categories, defined as follows:

Pass – A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Special mention – A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company's credit position at some future date. Special mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower, or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well-defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

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

Loss – Loans classified as loss are considered uncollectible and charged off immediately.

The general reserve component of the allowance for loan losses also consists of reserve factors that are based on management's assessment of the following for each portfolio segment: (1) inherent credit risk, (2) historical losses, and (3) other qualitative factors. These reserve factors are inherently subjective and are driven by the repayment risk associated with each portfolio class described below.

Commercial – Commercial loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows, and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Real estate – commercial – Commercial real estate mortgage loans generally possess a higher inherent risk of loss than other real estate portfolio classes, except land and construction loans. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for properties to produce sufficient cash flow to service debt obligations.

Real estate – residential – The degree of risk in residential real estate lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio classes. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Real estate – construction – Construction loans generally possess a higher inherent risk of loss than other real estate portfolio classes. A major risk arises from the necessity to complete projects within specified cost and timelines. Trends in the construction industry significantly impact the credit quality of these loans, as demand drives construction activity. In addition, trends in real estate values significantly impact the credit quality of these loans, as property values determine the economic viability of construction projects.

Consumer and other – Consumer loans generally consist of a large number of small loans scheduled to be amortized over a specific period of time. Most installment loans are made directly for consumer purchases such as automobiles. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least quarterly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Company's primary regulators, the FDIC and the California Department of Financial Protection and Innovation (the "DFPI"), as an integral part of their examination process, review the adequacy of the allowance. These regulatory agencies may require additions to the allowance based on their judgment about information available at the time of their examinations.

Allowance for credit losses on off-balance-sheet credit exposures – The Company maintains a separate allowance for losses related to off-balance-sheet exposures. Management estimates the amount of probable losses by applying a loss factor and utilization assumptions to the available portion of undisbursed lines of credit. This allowance of $85,000 is included in accrued interest payable and other liabilities on the consolidated balance sheets at December 31, 2022 and 2021.

Bank premises and equipment – Land is carried at cost. Bank premises and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. The useful lives of premises are estimated to be 39 years. The useful lives of furniture, fixtures, and equipment are estimated to be three to seven years. Leasehold improvements are amortized over five to 20 years, which represents the remaining lease term, including renewal periods that are reasonably assured. Leased equipment, meeting certain capital lease criteria, is capitalized and the present value of the related lease payments is recorded as a liability. Amortization of capital leases is computed using a straight-line method over the shorter of the estimated useful life of the equipment or the initial lease term.

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. The Company evaluates premises and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Income taxes – Income tax expense is the total of the current year income tax due or refundable, and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is "more likely than not" that all or a portion of the deferred tax asset will not be realized. "More likely than not" is defined as greater than a 50% chance. Based upon their analysis of available evidence, management determined that it is "more likely than not" that all of the deferred income tax assets as of December 31, 2022 and 2021, will be fully realized and therefore no valuation allowance was recorded. Interest and/or penalties related to income tax matters are recognized in income tax expense.

Accounting for uncertainty in income taxes – The Company uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken, or expected to be taken, on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Earnings per common share – Basic earnings per share ("EPS"), which excludes dilution, is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options or restricted stock, result in the issuance of common stock that share in the earnings of the Company. The treasury stock method is applied to determine the dilutive effect of stock options in computing diluted EPS.

Comprehensive (loss) income – Comprehensive (loss) income consists of net income and other comprehensive income. Other comprehensive income includes the after tax effect of unrealized gains and losses on securities available-for-sale and changes in the net unrealized loss on available-for-sale securities transferred to held-to-maturity.

Loss contingencies – Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the consolidated financial statements.

Revenue recognition – The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers ("Topic 606")*. Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation.

Most of the Company's revenue-generating transactions are not subject to Topic 606, including revenue generated from financial instruments, such as loans and other investments. In addition, certain noninterest income streams such as fees associated with servicing income and sale of loans are also not in scope of the new guidance. The Company fully satisfies their performance obligations on their contracts with customers as services are rendered and the transaction prices are typically fixed, charged either on a periodic basis or based on activity. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The contracts evaluated that are in scope of Topic 606 are primarily related to service charges and fees on deposit accounts, stop payment fees, ATM surcharge fees, and other service charges, commissions and fees.

Restrictions on cash – There was no reserve requirement at December 31, 2022 and 2021.

Advertising – Advertising costs are charged to expense in the period incurred and totaled $283,847 and $193,996 for the years ended December 31, 2022 and 2021, respectively.

Share-based compensation – The Company has one share-based payment plan, the 2016 Golden Valley Bancshares Equity Incentive Plan (the "Plan"), which is described more fully in Note 12. The Company accounts for share-based expense using a fair-value based method and requires that share-based expense be recorded for all stock options that are ultimately expected to vest as the requisite service is rendered. The expense related to restricted stock is based on the value of the stock at the grant date and is expensed over the vesting period.

Management estimates the fair value of each option award as of the date of grant using a Black-Scholes-Merton option pricing formula and the following assumptions. Expected volatility is based on historical volatility of similar entities over a preceding period commensurate with the expected term of the option as well as consideration of the Company's common stock volatility. A simplified method is used to determine the expected term of the Company's options due to the lack of sufficient data. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant with substantially the same remaining term as the term of the option. In addition to these assumptions, management makes estimates regarding pre-vesting forfeitures that will impact total compensation expense recognized under the Plan.

Fair value and financial instruments – Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 2. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

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. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Leases – The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets ("ROU asset") and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Substantially all of the Company's leases are comprised of operating leases in which the Company is lessee of real estate property for branches and automobiles. The Company elected not to include short-term leases (i.e. leases with initial terms of twelve months or less) within the ROU asset and lease liability. The Company uses the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. The Company's lease terms may include options to extend or terminate the lease, which it recognizes when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Recent accounting pronouncements – In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13 Topic 326, with the objective of providing financial statement users with more decision-useful information about the expected credit losses on financial instructions and other commitments to extend credit held by a reporting entity at each reporting date. The standard, referred to as Current Expected Credit Loss ("CECL"), replaces the incurred loss impairment methodology in the current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This amendment affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in lease, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

Transition:

- For debt securities with OTTI, the guidance will be applied prospectively.
- Existing purchased credit impaired ("PCI") assets will be grandfathered and classified as purchased credit deteriorated ("PCD") assets at the date of adoption. The asset will be grossed up for the allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the noncredit discount in interest income based on the yield of such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance.
- For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period in which the guidance is effective.

The Company adopted the new standard on January 1, 2023.

NOTE 2 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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.

Fair value hierarchy – The Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon:

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation that may be significant.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

Fair value of financial instruments – The carrying amounts and estimated fair values of financial instruments not carried at fair value are as follows as of December 31, 2022 and 2021:

	2022				
	Carrying	Fair Value Measurements Using:			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 5,862,324	$ 5,862,324	$ -	$ -	$ 5,862,324
Federal funds sold	18,437,455	18,437,455	-	-	18,437,455
Interest-bearing deposits and interest-bearing time deposits in other financial institutions	19,442,707	7,520,257	11,922,450	-	19,442,707
Held-to-maturity investment securities	97,054,831	-	90,271,873	-	90,271,873
Loans, net	237,945,437	-	-	228,831,000	228,831,000
Financial liabilities:					
Deposits	$ 443,164,907	$ 368,202,000	$ 17,710,000	$ -	$ 385,912,000
Subordinated debt	5,794,660	-	5,175,000	-	5,175,000

	2021				
	Carrying	Fair Value Measurements Using:			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 6,831,102	$ 6,831,102	$ -	$ -	$ 6,831,102
Federal funds sold	4,749,051	4,749,051	-	-	4,749,051
Interest-bearing deposits and interest-bearing time deposits in other financial institutions	40,068,897	35,091,897	4,977,000	-	40,068,897
Loans, net	234,603,535	-	-	234,714,000	234,714,000
Financial liabilities:					
Deposits	$ 432,799,878	$ 394,336,000	$ 17,339,000	$ -	$ 411,675,000
FHLB borrowings	233,625	238,000	-	-	238,000

These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

Fair value measurements

Assets recorded at fair value – The following tables present information about the Company's assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2022 and 2021:

	2022			
	Fair Value	Level 1	Level 2	Level 3
Available for sale debt securities:				
U.S. Government-sponsored entities	$ 15,516	$ -	$ 15,516	$ -
Government guaranteed residential mortgage-backed securities	3,849,395	-	3,849,395	-
Municipal securities	54,418,860	-	54,418,860	-
Corporate debt securities	9,959,121	-	9,959,121	-
Certificates of deposit	731,103	-	731,103	-
Collateralized mortgage obligations	16,800,783	-	16,800,783	-
Total assets measured at fair value	$ 85,774,778	$ -	$ 85,774,778	$ -

	2021			
Available for Sale	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
U.S. Government-sponsored entities	$ 25,630,558	$ -	$ 25,630,558	$ -
Government guaranteed residential mortgage-backed securities	8,886,036	-	8,886,036	-
Municipal securities	98,702,492	-	98,702,492	-
Corporate debt securities	8,726,595	-	8,726,595	-
Certificates of deposit	780,647	-	780,647	-
Collateralized mortgage obligations	36,188,906	-	36,188,906	-
Total assets measured at fair value	$ 178,915,234	$ -	$ 178,915,234	$ -

At December 31, 2022 and 2021, the Company had no liabilities measured at fair value on a recurring basis. Fair values for Level 2 available-for-sale investment securities are based on quoted market prices for similar securities and model-based valuation techniques for which all significant assumptions are observable. During the years ended December 31, 2022 and 2021, there were no transfers in or out of Levels 1 and 2.

Nonrecurring basis – The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or fair value, that were recognized at fair value, which was below cost at the reporting date. The Company did not have any assets or liabilities measured on a nonrecurring basis as of December 31, 2022 and 2021.

NOTE 3 – INVESTMENT SECURITIES

The amortized cost and estimated fair value of investment securities consisted of the following:

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for sale debt securities:				
U.S. Government-sponsored entities	$ 15,714	$ -	$ (198)	$ 15,516
Government guaranteed residential mortgage-backed securities	4,349,670	-	(500,275)	3,849,395
Municipal securities	66,942,800	-	(12,523,940)	54,418,860
Corporate debt securities	10,903,102	-	(943,981)	9,959,121
Certificates of deposit	739,230	-	(8,127)	731,103
Collateralized mortgage obligations	17,968,136	-	(1,167,353)	16,800,783
	$ 100,918,652	$ -	$ (15,143,874)	$ 85,774,778

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held to maturity debt securities:				
U.S. Government-sponsored entities	$ 47,990,958	$ -	$ (2,250,267)	$ 45,740,691
Government guaranteed residential mortgage-backed securities	12,256,859	-	(1,268,740)	10,988,119
Municipal securities	31,779,227	-	(3,042,559)	28,736,668
Collateralized mortgage obligations	5,027,787	-	(221,392)	4,806,395
	$ 97,054,831	$ -	$ (6,782,958)	$ 90,271,873

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available for sale debt securities:				
U.S. Government-sponsored entities	$ 25,816,589	$ 983	$ (187,014)	$ 25,630,558
Government guaranteed residential mortgage-backed securities	8,839,729	106,397	(60,090)	8,886,036
Municipal securities	97,906,654	1,512,402	(716,564)	98,702,492
Corporate debt securities	8,779,273	12,450	(65,128)	8,726,595
Certificates of deposit	739,460	41,187	-	780,647
Collateralized mortgage obligations	35,920,554	411,662	(143,310)	36,188,906
	$ 178,002,259	$ 2,085,081	$ (1,172,106)	$ 178,915,234

Net proceeds from the sale of available-for-sale investment securities for the year ended December 31, 2022, were $7,871,848. Gross realized losses on sales of securities were $623,929 during the year ended December 31, 2022. There were no sales of investment securities during the year ended December 31, 2021.

The Company had no held to maturity securities as of December 31, 2021. In March and September 2022, the Company made transfers totaling $59,649,379 of available for sale securities to the held to maturity portfolio. The securities were transferred at their fair value at the date of transfer. The Company intends to and has the ability to hold these securities to maturity. As a result of this transfer, an unrealized net loss of $5,111,555 was recorded as a reduction to the asset with an offsetting entry to accumulated other comprehensive (loss) income, and the net loss will be accreted over the remaining life of the securities. The original premium or discount will be accreted into income over the remaining life of the securities.

The following table summarizes securities with unrealized losses at December 31, 2022 and 2021, aggregated by major security type and length of time in a continuous unrealized loss position:

	2022					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale debt securities:						
U.S. Government-sponsored entities	$ 15,516	$ (198)	$ -	$ -	$ 15,516	$ (198)
Government guaranteed residential mortgage-backed securities	3,189,119	(421,970)	660,276	(78,305)	3,849,395	(500,275)
Municipal securities	33,361,110	(7,294,157)	21,057,750	(5,229,783)	54,418,860	(12,523,940)
Corporate debt securities	4,290,856	(486,088)	5,668,265	(457,893)	9,959,121	(943,981)
Certificates of deposit	731,103	(8,127)	-	-	731,103	(8,127)
Collateralized mortgage obligations	14,467,581	(834,204)	2,333,202	(333,149)	16,800,783	(1,167,353)
	$ 56,055,285	$ (9,044,744)	$ 29,719,493	$ (6,099,130)	$ 85,774,778	$(15,143,874)
Held to maturity debt securities:						
U.S. Government-sponsored entities	$ 23,755,684	$ (1,135,495)	$ 21,985,007	$ (1,114,772)	$ 45,740,691	$ (2,250,267)
Government guaranteed residential mortgage-backed securities	9,723,665	(1,202,345)	1,264,454	(66,395)	10,988,119	(1,268,740)
Municipal securities	11,441,604	(1,508,713)	17,295,064	(1,533,846)	28,736,668	(3,042,559)
Collateralized mortgage obligations	910,966	(18,603)	3,895,429	(202,789)	4,806,395	(221,392)
	$ 45,831,919	$ (3,865,156)	$ 44,439,954	$ (2,917,802)	$ 90,271,873	$ (6,782,958)

	2021					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale debt securities:						
U.S. Government-sponsored entities	$ 24,630,346	$ (180,010)	$ 963,850	$ (7,004)	$ 25,594,196	$ (187,014)
Government guaranteed residential mortgage-backed securities	3,352,952	(60,090)	-	-	3,352,952	(60,090)
Municipal securities	45,077,553	(564,831)	3,714,710	(151,733)	48,792,263	(716,564)
Corporate debt securities	6,473,314	(64,237)	546,103	(891)	7,019,417	(65,128)
Collateralized mortgage obligations	10,558,312	(143,252)	73,790	(58)	10,632,102	(143,310)
	$ 90,092,477	$ (1,012,420)	$ 5,298,453	$ (159,686)	$ 95,390,930	$ (1,172,106)

At December 31, 2022, the Company held 53 available-for-sale securities with a book value of $35,818,622 that were in a loss position for more than 12 months. At December 31, 2022, the Company held 100 available-for-sale securities with a book value of $65,100,030 that were in a loss position for less than 12 months. At December 31, 2022, the Company held 45 held-to-maturity securities with a book value of $47,357,756 that were in a loss position for more than 12 months. At December 31, 2022, the Company held 29 held-to-maturity securities with a book value of $49,697,075 that were in a loss position for less than 12 months. The decline in market value is attributable to fluctuations in interest rates and not credit quality. Accordingly, it is expected that the securities will not be settled at a price less than amortized cost. Because the Company does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, which may be maturity, management does not consider these investments to be other-than-temporarily impaired.

The only significant concentration of investment securities (greater than 10% of shareholders' equity) in any individual security issuer at December 31, 2022 and 2021, is U.S. Treasury Notes and certain government guaranteed residential mortgage-backed securities issued by the Government National Mortgage Association, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

Investment securities with amortized costs totaling $9,714,467 and $7,576,062, and estimated fair values totaling $8,048,727 and $7,884,914 were pledged to secure borrowing arrangements at December 31, 2022 and 2021, respectively.

Contractual maturities – The amortized cost and estimated fair value of investment securities at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of securities may have the right to call or prepay obligations with or without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Available for sale debt securities:		
Within one year	$ 1,183,748	$ 1,168,823
After one year through five years	16,932,635	15,829,927
After five years through ten years	44,241,442	38,006,123
After ten years	34,195,443	26,904,994
	96,553,268	81,909,867
Investment securities not due at a single maturity date:		
Government guaranteed residential mortgage-backed securities	4,349,670	3,849,395
U.S. Government-sponsored entities	15,714	15,516
	$ 100,918,652	$ 85,774,778

	Amortized Cost	Estimated Fair Value
Held to maturity debt securities:		
Within one year	$ 2,749,569	$ 2,602,738
After one year through five years	44,974,341	42,774,322
After five years through ten years	32,662,707	29,870,383
After ten years	1,619,995	1,450,990
	82,006,612	76,698,433
Investment securities not due at a single maturity date:		
Government guaranteed residential mortgage-backed securities	12,256,858	10,988,119
U.S. Government-sponsored entities	2,791,361	2,585,321
	$ 97,054,831	$ 90,271,873

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Outstanding loans at December 31, 2022 and 2021, are summarized below:

	2022	2021
Commercial	$ 31,881,285	$ 36,903,819
Real estate – commercial	161,346,819	149,758,753
Real estate – residential	31,066,155	32,505,112
Real estate – construction	16,693,065	19,356,869
Consumer and other	550,261	764,468
	241,537,585	239,289,021
Deferred loan origination costs (fees), net	363,337	(107,708)
Allowance for loan losses	(3,955,485)	(4,577,778)
	$ 237,945,437	$ 234,603,535

Salaries and employee benefits totaling $648,351 and $822,330 were deferred as loan origination costs for the years ended December 31, 2022 and 2021, respectively.

Pursuant to the Coronavirus Aid, Relief and Economic Security (“CARES”) Act passed in March 2020, the Company funded over 782 loans to eligible small businesses and nonprofit organizations who participated in the Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). PPP loans have terms of two to five years and earn interest at 1%. In addition, the Company received a fee of 1% to 5% from the SBA depending on the loan amount, which was netted with loan origination costs and amortized into interest income under the straight-line method over the contractual life of the loan. The recognition of fees and costs is accelerated when the loan is forgiven by the SBA and/or paid off prior to maturity. PPP loans are fully guaranteed by the SBA and are expected to be forgiven by the SBA if they meet the requirements of the program. The balance of PPP loans at December 31, 2022 and 2021, was $4,251 and $11,554,206, respectively, with related net deferred fee income of $208 and $460,009, respectively.

The following tables show the allocation and activity of the allowance for loan losses at and for the years ended December 31, 2022 and 2021, by portfolio class and by impairment methodology:

	2022						
	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 612,793	$ 339,213	$ 3,174,641	$ 429,704	$ 21,427	$ -	$ 4,577,778
(Recovery of provision) provision for loan losses	(38,983)	(100,744)	(332,284)	(140,235)	(8,981)	-	(621,227)
Loans charged-off	-	-	-	-	(1,489)	-	(1,489)
Recoveries	-	-	-	-	423	-	423
Ending balance allocated to portfolio classes	$ 573,810	$ 238,469	$ 2,842,357	$ 289,469	$ 11,380	$ -	$ 3,955,485
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 573,810	$ 238,469	$ 2,842,357	$ 289,469	$ 11,380	$ -	$ 3,955,485
Loans:							
Ending balance	$ 31,881,285	$ 16,693,065	$ 161,346,819	$ 31,066,155	$ 550,261	$ -	$ 241,537,585
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 31,881,285	$ 16,693,065	$ 161,346,819	$ 31,066,155	$ 550,261	$ -	$ 241,537,585

	2021						
	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 499,885	$ 250,597	$ 2,387,929	$ 473,864	$ 4,725	$ 377,145	$ 3,994,145
Provision for loan losses	112,908	88,616	786,712	(44,160)	16,237	(377,145)	583,168
Loans charged-off	-	-	-	-	-	-	-
Recoveries	-	-	-	-	465	-	465
Ending balance allocated to portfolio classes	$ 612,793	$ 339,213	$ 3,174,641	$ 429,704	$ 21,427	$ -	$ 4,577,778
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 612,793	$ 339,213	$ 3,174,641	$ 429,704	$ 21,427	$ -	$ 4,577,778
Loans:							
Ending balance	$ 36,903,819	$ 19,356,869	$ 149,758,753	$ 32,505,112	$ 764,468	$ -	$ 239,289,021
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 36,903,819	$ 19,356,869	$ 149,758,753	$ 32,505,112	$ 764,468	$ -	$ 239,289,021

The following tables show the loan portfolio allocated by management's internal risk ratings at December 31, 2022 and 2021:

2022 – Credit Risk Profile by Internally Assigned Grade

	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Total
Grade:						
Pass	$ 31,282,975	$ 16,693,065	$ 158,505,282	$ 30,373,018	$ 550,261	$ 237,404,601
Special Mention	503,979	-	1,861,734	693,137	-	3,058,850
Substandard	94,331	-	979,803	-	-	1,074,134
	$ 31,881,285	$ 16,693,065	$ 161,346,819	$ 31,066,155	$ 550,261	$ 241,537,585

2021 – Credit Risk Profile by Internally Assigned Grade

	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Total
Grade:						
Pass	$ 35,323,923	$ 19,072,034	$ 147,176,261	$ 32,287,226	$ 764,467	$ 234,623,911
Special Mention	152,309	284,835	492,724	-	-	929,868
Substandard	1,427,587	-	2,089,768	217,886	-	3,735,241
	$ 36,903,819	$ 19,356,869	$ 149,758,753	$ 32,505,112	$ 764,467	$ 239,289,020

The following tables show an aging analysis of the loan portfolio by the time past due at December 31, 2022 and 2021:

2022

	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total	90 Days and Still Accruing	Nonaccrual
Commercial	$ -	$ -	$ -	$ 31,881,285	$ 31,881,285	$ -	$ -
Real estate – commercial	-	-	-	161,346,819	161,346,819	-	-
Real estate – residential	-	-	-	31,066,155	31,066,155	-	-
Real estate – construction	-	-	-	16,693,065	16,693,065	-	-
Consumer	-	-	-	550,261	550,261	-	-
	$ -	$ -	$ -	$ 241,537,585	$ 241,537,585	$ -	$ -

2021

	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total	90 Days and Still Accruing	Nonaccrual
Commercial	$ -	$ -	$ -	$ 36,903,819	$ 36,903,819	$ -	$ -
Real estate – commercial	-	-	-	149,758,753	149,758,753	-	-
Real estate – residential	-	-	-	32,505,112	32,505,112	-	-
Real estate – construction	-	-	-	19,356,869	19,356,869	-	-
Consumer	-	-	-	764,467	764,467	-	-
	$ -	$ -	$ -	$ 239,289,020	$ 239,289,020	$ -	$ -

For the years ended December 31, 2022 and 2021, there were no impaired loans.

Troubled debt restructurings – The Company has allocated no specific reserves to loans to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2022 and 2021, respectively. The Company does not have commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings.

During the years ended December 31, 2022 and 2021, no loans were modified as a troubled debt restructure. Further, there were no troubled debt restructurings for which there was a payment default within 12 months following the modification during the years ended December 31, 2022 and 2021.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed on the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

NOTE 5 – BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31, 2022 and 2021, consisted of the following:

	2022	2021
Land	$ 184,395	$ 184,395
Building	609,101	609,101
Furniture, fixtures and equipment	1,233,696	1,128,454
Leasehold improvements	2,057,858	2,006,110
Construction in process	210,264	28,590
	4,295,314	3,956,650
Less accumulated depreciation and amortization	(2,304,908)	(2,022,615)
	$ 1,990,406	$ 1,934,035

Depreciation and amortization included in occupancy and equipment expense totaled $282,293 and $283,065 for the years ended December 31, 2022 and 2021, respectively.

NOTE 6 – INTEREST-BEARING DEPOSITS

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2022 and 2021, were $11,127,871 and $9,716,952, respectively.

Interest-bearing deposits at December 31, 2022 and 2021, consisted of the following:

	2022	2021
Savings	$ 40,776,938	$ 36,691,294
Money market	148,834,246	152,312,389
Interest-bearing demand accounts	63,298,494	56,040,388
Time	18,082,551	17,372,330
	$ 270,992,229	$ 262,416,401

Aggregate annual maturities of time deposits are as follows:

Year Ending December 31:	
2023	$ 16,837,506
2024	309,829
2025	728,071
2026	207,145
Thereafter	-
Total	$ 18,082,551

Interest expense recognized on interest-bearing deposits for the years ended December 31, 2022 and 2021, consisted of the following:

	2022	2021
Savings	$ 19,798	$ 13,190
Money market	376,872	284,644
Interest-bearing demand accounts	51,175	43,141
Time	59,839	116,009
	$ 507,684	$ 456,984

NOTE 7 – BORROWING ARRANGEMENTS

The Company has two unsecured federal funds lines of credit with two correspondent banks under which it can borrow up to $12,500,000. There were no borrowings outstanding under these arrangements at December 31, 2022 and 2021.

In addition, the Company has a borrowing arrangement with the FRB. Borrowings are secured by available-for-sale investment securities pledged by the Company. The Company’s borrowing capacity varies depending on the type and value of investments pledged. At December 31, 2022 and 2021, there were no outstanding borrowings.

The Company has a secured borrowing arrangement with the FHLB. At December 31, 2022, there were no advances outstanding from the FHLB. At December 31, 2021, there were $233,625 advances outstanding from the FHLB.

At December 31, 2022 and 2021, the Company’s borrowing capacity under this arrangement was $69,659,192 and $73,145,801, respectively. The Company is required to pledge available-for-sale investment securities and certain loans to secure any advances under this arrangement. Loans totaling $125,028,759 and $118,369,045 were pledged to secure advances from the FHLB at December 31, 2022 and 2021, respectively.

NOTE 8 – SUBORDINATED DEBENTURES

In March 2022, the Company completed a private placement of $6,000,000 in aggregate principal amount of fixed-to-floating rate subordinated notes (the "Notes") to certain qualified institutional buyers and accredited investors.

The Notes will initially bear interest at 4.25% per annum payable semi-annually until March 31, 2027, and thereafter pay a semi-annual floating interest rate based on the then current 90-Day Average Secured Overnight Financing Rate (SOFR) plus 250 basis points, payable semi-annually in arrears. Beginning on March 31, 2027, the Notes may be redeemed, in whole or in part, at the Company's option. The Notes will mature on March 31, 2032.

Included in the proceeds from the debenture were various expenses including commission fees, legal expenses, accounting expenses and various filing expenses. The total of the issuance costs was $245,602 and will be amortized over the life of the debt as an increase to interest expense. As of December 31, 2022, the subordinated debenture had a net book balance, including unamortized issuance cost of $5,794,660.

For the year ended December 31, 2022, the Company's interest expense, including amortization of issuance costs related to the notes was $240,013.

The Notes were structured to qualify as Tier 2 capital instruments for regulatory capital purposes at the holding company. Subsequent to the issuance of the notes, the Company made a capital investment in the Bank totaling $3 million. This capital investment qualifies as Tier 1 capital at the Bank.

NOTE 9 – INCOME TAXES

Income taxes for the years ended December 31, 2022 and 2021, consisted of the following:

	2022		
	Federal	State	Total
Current	$ 1,084,419	$ 683,857	$ 1,768,276
Deferred	97,407	28,317	125,724
	$ 1,181,826	$ 712,174	$ 1,894,000

	2021		
	Federal	State	Total
Current	$ 1,629,174	$ 927,454	$ 2,556,628
Deferred	(280,473)	(101,155)	(381,628)
	$ 1,348,701	$ 826,299	$ 2,175,000

Deferred tax assets (liabilities) at December 31, 2022 and 2021, consisted of the following:

	2022	2021
Deferred tax assets:		
Allowance for loan losses	$ 1,020,770	$ 1,204,427
Stock-based expense	134,771	90,548
State tax deferral	143,263	189,294
Lease liability	324,323	334,019
Unrealized loss on available-for-sale securities	4,360,092	-
Other	275,605	257,574
Total deferred tax assets	6,258,824	2,075,862
Deferred tax liabilities:		
Loan origination costs	(339,236)	(348,483)
Premises and equipment	(75,195)	(110,165)
Right-of-use lease asset	(294,921)	(299,545)
Unrealized gain on available-for-sale securities	-	(269,909)
Other	(20,042)	(22,607)
Total deferred tax liabilities	(729,394)	(1,050,709)
Net deferred tax assets	$ 5,529,430	$ 1,025,153

The effective tax rate at December 31, 2022 and 2021, as a percentage of income before income taxes, differs from the statutory federal income tax rate as follows:

	2022	2021
Federal income tax expense, at statutory rate	21.0%	21.0%
State franchise tax, net of Federal tax effect	8.7%	8.6%
Tax-exempt income from life insurance policies	(0.1)%	(0.1)%
Tax exempt income	(0.5)%	(0.3)%
Stock based compensation	0.3%	0.3%
Other	(0.1)%	0.2%
Effective tax rate	29.3%	29.7%

The Company files income tax returns in the U.S. federal and California jurisdictions. There are currently no pending U.S. federal or state income tax or non-U.S. income tax examinations by tax authorities. The Company is no longer subject to tax examinations by U.S. federal taxing authorities for years ended before December 31, 2019, and by state and local taxing authorities for years ended before December 31, 2018.

As of December 31, 2022 and 2021, there were no unrecognized tax benefits or interest and penalties related to tax matters accrued by the Company.

NOTE 10 – LEASES

The Company leases its main office and administrative offices in Chico, California, as well as its Business Banking Office in Redding, California, under noncancelable operating leases. The main office lease expired on June 30, 2016, and has since exercised the first five-year renewal option and is currently entered into the second renewal option. The administrative offices lease expired on July 1, 2021, at which time the Company entered into the first of two five-year renewal options. The Redding office lease expired on December 31, 2022, and the Company has entered into the first of two five-year renewal options. The Company maintains the lease on its former operations office, which expired on December 31, 2020, at which time the Company exercised the first of the two five-year renewal options. The Company's sublease on this building also expired December 31, 2020, at which time the lessee exercised the five-year renewal option. Additionally, the Company leases equipment under a finance lease executed in July 2022 and expiring September 2027. For leases where the Company is reasonably certain that it will exercise the option to renew the lease, it has recognized those options in its right-of-use lease asset and liability. The Company had no other (financing, short-term or variable) lease arrangements during the current period or the prior year. Cash paid for leases was $342,452 and $337,280 for the years ended December 31, 2022 and 2021, respectively. In 2022, the Company signed new lease agreements in Chico and Redding for additional office space. The leases are set to expire in July 2027 and March 2024, respectively.

The table below presents information regarding the Company's leases as of December 31, 2022 and 2021.

	2022	2021
Right-of-use lease asset	$ 997,583	$ 1,056,199
Lease liability	$ 1,097,034	$ 1,172,807
Weighted Average Remaining Lease Term	3.69	3.86
Weighted Average Discount Rate	2.77%	2.63%

Maturities of lease liabilities as of December 31, are as follows:

	2022
2023	$ 318,229
2024	326,000
2025	330,773
2026	122,588
Thereafter	59,534
Total undiscounted cash flows	1,157,124
Less: present value discount	(60,090)
Present value of net future minimum lease payments	$ 1,097,034

The following table presents the components of lease expense as of December 31, 2022 and 2021:

	2022	2021
Operating lease cost	$ 356,545	$ 322,601
Variable lease cost	50,016	61,602
Sublease income	(92,624)	(92,605)
Total lease cost	$ 313,937	$ 291,598

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Financial instruments with off-balance-sheet risk – The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit totaling $57,391,000 and $56,349,000 at December 31, 2022 and 2021, respectively. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the consolidated balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for loans included on the consolidated balance sheet.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some 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 deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, equipment, and deeds of trust on residential real estate and income-producing commercial properties.

Commercial loan commitments represent approximately 55% of total commitments and are generally unsecured or secured by collateral other than real estate and have variable interest rates. Commercial real estate and construction loan commitments represent approximately 18% of total commitments and are generally secured by property with a loan-to-value ratio not to exceed 80%. The majority of real estate commitments also have variable interest rates. Home equity lines of credit represent 25% of total commitments and are generally secured by residential real estate and have variable interest rates. Agricultural loans represent 1% of total commitments and are generally secured by farmland and have fixed interest rates. Consumer loans represent 1% of total commitments and are generally secured by personal property and have fixed interest rates.

Concentrations of credit risk – The Company grants real estate mortgage, real estate construction and commercial loans to customers in Butte, Shasta, and surrounding counties. Although the Company intends to continue to diversify its loan portfolio, a substantial portion of its portfolio is secured by commercial and residential real estate at December 31, 2022 and 2021. In management's judgment at December 31, 2022, a concentration of loans exists in real estate commercial, mortgage and non-real estate commercial related loans, which represented approximately 67%, 20%, and 13% of the Company's loans, respectively. In management's judgment at December 31, 2021, a concentration of loans exists in real estate commercial, mortgage and non-real estate commercial related loans, which represented approximately 63%, 22%, and 15% of the Company's loans, respectively. A substantial decline in the performance of the economy in general or a confirmed decline in real estate values in the Company's primary market area, in particular, could have an adverse impact on the collectability of these loans.

Contingencies – The Company may be subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the Company.

NOTE 12 – SHARE-BASED COMPENSATION

The 2006 Golden Valley Bank Equity Incentive Plan terminated on April 12, 2016, and had 30,250 outstanding options under the plan at December 31, 2022. The 2016 Golden Valley Bancshares Equity Incentive Plan ("2016 Plan") has been approved by the Company's shareholders and permits the grant of stock options and restricted stock for up to 718,167 shares of the Company's common stock. Under the 2016 Plan, the Company had 534,057 and 548,918 shares reserved for future grants at December 31, 2022 and 2021, respectively. The Plan is designed to retain employees, directors and founders who are advisory group members. The amount, frequency, and terms of share-based awards may vary based on competitive practices, the Company's operating results and government regulations. New shares are issued upon option exercise or restricted share grants. The Plan requires that the option price may not be less than the fair market value of the stock at the date the option is granted. All options expire on a date determined by the Board of Directors but not later than ten years from the date of grant. The vesting period for stock options and restricted stock is determined by the Board of Directors and is generally over a three to five year period. As of and for the years ended December 31, 2022 and 2021, the Company made no grants of restricted stock and had no unvested shares of restricted stock outstanding.

Stock option awards – A summary of option activity under the Plan for the year ended December 31, 2022, is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options:				
Outstanding at January 1, 2021	199,501	$ 12.62	6.48 years	$ 1,273,543
Granted	25,000	$ 18.10	9.36 years	$ -
Exercised	(1,568)	$ 10.00	4.25 years	$ 11,760
Forfeited, expired, or cancelled	(13,433)	$ 12.75		$ 60,449
Outstanding at December 31, 2021	209,500	$ 13.28	5.89 years	$ 913,645
Exercisable at December 31, 2021	117,215	$ 11.24	4.35 years	$ 725,245
Options expected to vest	67,800	$ 16.36	8.02 years	$ 115,592

At December 31, 2022, the unrecognized cost related to nonvested stock option awards totaled $300,137. That cost is expected to be amortized on a straight-line basis over a weighted average period of 2.41 years and will be adjusted for subsequent changes in estimated forfeitures. Total share-based expense of $220,142 and $184,569 is recorded in salaries and benefits and other noninterest expense for the years ended December 31, 2022 and 2021, respectively. The fair value of options vested during 2022 and 2021 totaled $240,910 and $124,891, respectively.

The weighted average grant-date fair value per share of stock options granted in 2022 and 2021 was $5.90 and $9.94, respectively. The weighted average grant date assumptions used for the year ended December 31, 2022 and 2021 are shown below.

	2022	2021
Risk-free interest rate	2.41%	0.76%
Expected dividend yield	—%	—%
Expected life in years	8.51 years	9.65 years
Expected price volatility	19.87%	44.38%

NOTE 13 – SHAREHOLDERS' EQUITY

Earnings per share – A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the years ended December 31, 2022 and 2021, is shown below.

	2022		
	Net Income	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic earnings per share	$ 4,579,956	2,240,230	$ 2.04
Effect of dilutive stock options	-	56,142	
Diluted earnings per share	$ 4,579,956	2,296,372	$ 1.99

	2021		
	Net Income	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic earnings per share	$ 5,159,320	2,240,688	$ 2.30
Effect of dilutive stock options	-	54,178	
Diluted earnings per share	$ 5,159,320	2,294,866	$ 2.25

Shares of common stock issuable under stock options for which the exercise prices were greater than the average market prices were not included in the computation of diluted earnings per share due to their antidilutive effect. Such shares totaled 60,000 and 15,000 for the years ended December 31, 2022 and 2021, respectively.

Stock repurchased under equity compensation plans – The Company's shareholder-approved equity compensation plans permit holders of vested stock options to exercise the vested stock options through a "cashless" exercise. In a cashless exercise, the holder of a vested stock option exercises the stock option without remitting cash to the Company. Upon exercise, the Company remits the difference between the fair value of the stock at the date of exercise, less the exercise price, to the vested stock option holder who is exercising the stock option. The Company then records the net stock acquired as stock repurchased and the repurchased shares are retired. During the year ended December 31, 2022, employees exercised 1,568 vested stock options through cashless exercises that had total fair value of $27,440 and total intrinsic value of $11,760 at the date of exercise. The Company paid the vested option holders $11,760 and repurchased and retired the 1,568 shares. The Company also repurchased and retired 5,500 shares of common stock for a total value of $92,950. During the year ended December 31, 2021, employees exercised 11,000 vested stock options through cashless exercises that had total fair value of $170,500 and total intrinsic value of $77,000 at the date of exercise. The Company paid the vested option holders $77,000 and repurchased and retired the 11,000 shares.

Dividends – Upon declaration by the Board of Directors, all shareholders of record will be entitled to receive dividends. The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of (1) the Company's retained earnings, or (2) the Company's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2022 and 2021, no amounts were free of such restrictions. There were no dividends declared to shareholders of record in 2022 and 2021.

Regulatory capital – The Bank and the Company are subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. The Company is not subject to regulatory capital requirements because its total assets are less than $3.0 billion. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became fully effective for the Bank on January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based ratios. The capital conservation buffer requirement is 2.50%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2022 and 2021, the Bank met all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2022 and 2021, the most recent regulatory notifications categorized the Company as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

In August of 2020, the federal banking agencies adopted the final version of the community bank leverage ratio framework rule (the "CBLR"), implementing two interim final rules adopted in April of 2020. The rule provides an optional, simplified measure of capital adequacy. Under the optional CBLR framework, the CBLR will be 8.5 percent through calendar year 2021 and 9 percent thereafter. The rule is applicable to all nonadvanced approaches FDIC-supervised institutions with less than $10 billion in total consolidated assets. Banks not electing the CBLR framework will continue to be subject to the generally applicable risk-based capital rule. At the present time, the Company and the Bank do not intend to elect to use the CBLR framework.

Banks are also subject to additional capital guidelines under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1, and Tier 1 leverage ratios as set forth below. The most recent notification from the FDIC categorized the Company as well-capitalized under these guidelines. There are no conditions or events since that notification that management believes have changed the Company's category. The following table excludes the capital conservation buffer.

	2022		2021	
	Amount	Ratio	Amount	Ratio
Leverage Ratio:				
Golden Valley Bank	$ 45,599,000	9.0%	$ 37,921,000	8.0%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 23,905,000	5.0%	$ 23,686,000	5.0%
Minimum regulatory requirement	$ 19,124,000	4.0%	$ 18,949,000	4.0%
Tier 1 Risk-Based Capital Ratio:				
Golden Valley Bank	$ 45,599,000	14.6%	$ 37,921,000	13.4%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 25,031,000	8.0%	$ 22,572,000	8.0%
Minimum regulatory requirement	$ 18,773,000	6.0%	$ 16,929,000	6.0%
Common Equity Tier 1 Capital Ratio:				
Golden Valley Bank	$ 45,599,000	14.6%	$ 37,921,000	13.4%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 20,338,000	6.5%	$ 18,340,000	6.5%
Minimum regulatory requirement	$ 14,080,000	4.5%	$ 12,697,000	4.5%
Total Risk-Based Capital Ratio:				
Golden Valley Bank	$ 49,511,000	15.8%	$ 41,461,000	14.7%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 31,289,000	10.0%	$ 28,215,000	10.0%
Minimum regulatory requirement	$ 25,031,000	8.0%	$ 22,572,000	8.0%

Management believes that the Company met all its capital adequacy requirements as of December 31, 2022 and 2021.

NOTE 14 – RELATED-PARTY TRANSACTIONS

The Company enters into transactions with related parties, including directors and executive officers. The following is a summary of the aggregate activity involving related party borrowers for the years ended December 31, 2022 and 2021:

	2022	2021
Balance, beginning of year	$ 10,602,872	$ 3,470,026
Balance transfer, net	322,178	4,888,157
Disbursements	1,906,941	3,686,268
Amounts repaid	(2,865,068)	(1,441,579)
Balance, end of year	9,966,923	10,602,872
Undisbursed commitments to related parties, December 31	$ 1,698,393	$ 2,722,683

At December 31, 2022 and 2021, the Company's deposits from related parties totaled approximately $15,308,000 and $10,603,000, respectively. Included in related party deposits are deposits from Golden Valley Bank Community Foundation (the "Foundation").

NOTE 15 – EMPLOYEE BENEFIT PLANS

Profit sharing plan – In 2006, the Company adopted the Golden Valley Bank 401(k) Profit Sharing Plan and Trust (the "Plan"). All employees 18 years of age or older with two months of service are eligible to participate in the salary deferral provisions of the Plan. Eligible employees may elect to make tax deferred contributions up to the maximum amount allowed by law. Deferrals can begin the first day of the following quarter after meeting eligibility requirements. The plan accepts both pre-tax and Roth deferrals. The Company contribution is a Safe Harbor Match of employee salary deferrals and is 100% vested immediately. Any other employer contribution vests over a 6-year schedule. After eligible employees have completed one year of service, they are eligible for any additional employer contribution provisions. The Company may make contributions to the Plan at the discretion of the Board of Directors. Eligible employees hired on or before August 1, 2006, are immediately vested in employer contributions. The Company contributed $200,075 and $179,167 to the Plan during the years ended December 31, 2022 and 2021, respectively.

NOTE 16 – OTHER EXPENSES

Other expenses for the years ended December 31, 2022 and 2021, consisted of the following:

	2022	2021
Data processing	$ 1,001,270	$ 1,156,506
Professional fees	520,778	294,836
Regulatory assessments	205,999	232,588
Advertising and marketing	420,041	301,036
Director fees	346,975	218,956
Other	1,021,922	620,914
	$ 3,516,985	$ 2,824,836

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