Report of Independent Auditors and
Consolidated Financial Statements

**Golden Valley Bancshares, Inc.
and Subsidiary**

December 31, 2023 and 2022

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, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), 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, 2023 and 2022, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, as of January 1, 2023, Golden Valley Bancshares, Inc. and Subsidiary adopted the new Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses* using the modified retrospective approach. Our opinion is not modified with respect to this matter.

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 available to be 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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 29, 2024

Consolidated Financial Statements

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 7,142,073	$ 5,862,324
Federal funds sold	11,624,168	18,437,455
Interest-bearing deposits in other financial institutions	23,652,439	7,520,257
Total cash and cash equivalents	42,418,680	31,820,036
Interest-bearing time deposits in other financial institutions	13,162,900	11,922,450
Available-for-sale investment securities, at fair value (amortized cost of $97,186,656 and $100,918,652 and allowance for credit losses of $0 and $0, as of December 31, 2023 and 2022, respectively)	84,416,426	85,774,778
Held-to-maturity investment securities, at amortized cost, net of allowance for credit losses of $0 at December 31, 2023 and December 31, 2022	95,605,200	97,054,831
Loans, less allowance for credit losses of $3,936,502 in 2023, and $3,955,485 in 2022	236,167,990	237,945,437
Bank premises and equipment, net	3,715,044	1,990,406
Right-of-use (ROU) lease asset	1,435,419	997,583
Bank-owned life insurance, net	1,332,772	1,307,690
Accrued interest receivable and other assets	10,309,088	9,728,975
Total assets	$ 488,563,519	$ 478,542,186
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 168,059,693	$ 172,172,678
Interest-bearing	276,985,692	270,992,229
Total deposits	445,045,385	443,164,907
Subordinated debt	5,842,976	5,794,660
ROU lease liability	1,522,338	1,097,034
Accrued interest payable and other liabilities	1,525,550	1,329,654
Total liabilities	453,936,249	451,386,255
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 2,228,611 in 2023, and 2,235,188 in 2022	19,217,734	19,140,359
Retained earnings	27,134,494	23,570,042
Accumulated other comprehensive loss	(11,724,958)	(15,554,470)
Total shareholders' equity	34,627,270	27,155,931
Total liabilities and shareholders' equity	$ 488,563,519	$ 478,542,186

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
Interest income:		
Interest and fees on loans	$ 12,495,163	$ 11,682,179
Interest on time deposits and in other financial institutions	1,897,117	538,588
Interest on federal funds sold	516,219	320,186
Interest on tax-exempt investment securities	183,042	190,413
Interest on taxable investment securities	4,336,638	3,880,045
Total interest income	19,428,179	16,611,411
Interest expense:		
Interest on deposits	4,126,650	507,684
Interest on borrowings	303,332	244,175
Total interest expense	4,429,982	751,859
Net interest income before provision (recovery of provision) for credit losses	14,998,197	15,859,552
Provision (recovery of provision) for credit losses	8,613	(621,227)
Net interest income after provision (recovery of provision) for credit losses	14,989,584	16,480,779
Non-interest income:		
Service charges and fees	843,140	656,334
Loss on sale of available-for-sale investment securities	-	(623,929)
Loan mortgage fees	67,256	324,286
Other	64,564	57,690
Total non-interest income	974,960	414,381
Non-interest expense:		
Salaries and employee benefits	6,176,001	6,104,801
Occupancy and equipment	834,647	799,418
Other	3,668,444	3,516,985
Total non-interest expense	10,679,092	10,421,204
Net income before provision for income taxes	5,285,452	6,473,956
Provision for income taxes	1,535,000	1,894,000
Net income	$ 3,750,452	$ 4,579,956
Basic income per common share	$ 1.68	$ 2.04
Diluted income per common share	$ 1.66	$ 1.99

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2023 and 2022

	2023	2022
Net income	$ 3,750,452	$ 4,579,956
Other comprehensive income:		
Unrealized holding gain (losses) arising during the year on available-for-sale investment securities	2,373,645	(16,680,778)
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	892,176	343,061
Tax effect	563,691	4,630,000
Total other comprehensive income (loss)	3,829,512	(16,200,642)
Total comprehensive income (loss)	$ 7,579,964	$ (11,620,686)

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount			
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
Cumulative change from adoption of ASU 2016-13, net of tax	-	-	(186,000)	-	(186,000)
Net income	-	-	3,750,452	-	3,750,452
Other comprehensive income	-	-	-	3,829,512	3,829,512
Share-based compensation	-	174,610	-	-	174,610
Repurchase of common stock	(6,577)	(97,235)	-	-	(97,235)
Balance, December 31, 2023	2,228,611	$ 19,217,734	$ 27,134,494	$ (11,724,958)	$ 34,627,270

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	$ 3,750,452	$ 4,579,956
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision (recovery of provision) for credit losses	8,613	(621,227)
Depreciation and amortization	340,859	299,152
Amortization of ROU lease asset	333,996	323,489
Change in lease liability	(346,528)	(340,646)
Changes in deferred loan origination fees, net	(22,752)	(471,044)
Loss on sale of available-for-sale investment securities	-	623,929
Change in deferred income taxes	115,067	125,724
Investment securities amortization	383,148	606,460
Share-based compensation expense	174,610	220,141
Increase in cash surrender value of bank-owned life insurance, net	(25,082)	(25,124)
Change in accrued interest receivable and other assets	(309,063)	(759,055)
Change in accrued interest payable and other liabilities	645,917	475,358
Net cash provided by operating activities	5,049,237	5,037,113
Cash flows from investing activities:		
Change in interest-bearing time deposits in banks	(1,240,450)	(6,945,450)
Purchase of available-for-sale investment securities	(1,574,949)	(4,750,000)
Proceeds from sales and calls of available-for-sale investment securities	1,133,271	9,633,459
Proceeds from principal payments on available-for-sale investment securities	3,885,826	11,390,733
Purchase of held-to-maturity investment securities	-	(43,296,625)
Proceeds from principal payments on held-to-maturity investment securities	2,239,509	1,047,026
Net change in loans	1,605,586	(2,249,631)
Purchase of Federal Home Loan Bank stock	(271,900)	(196,900)
Purchase of premises and equipment, net	(2,010,729)	(343,095)
Net cash provided by (used in) investing activities	3,766,164	(35,710,483)
Cash flows from financing activities:		
(Decrease) increase in demand, interest bearing and savings deposits, net	(4,112,985)	1,789,202
Increase in time deposits, net	5,993,463	8,575,829
Repayment of FHLB advances	-	(233,625)
Proceeds from subordinated debt	-	6,000,000
Net costs to issue subordinated debt	-	(205,340)
Net cash paid in stock repurchases	(97,235)	(104,710)
Net cash provided by financing activities	1,783,243	15,821,356
Net increase (decrease) in cash and cash equivalents	10,598,644	(14,852,014)
Cash and cash equivalents, beginning of year	31,820,036	46,672,050
Cash and cash equivalents, end of year	$ 42,418,680	$ 31,820,036

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Supplemental disclosure of cash-flow information:		
Cash paid during the year:		
Interest expense	$ 4,408,057	$ 729,934
Income taxes	$ 1,380,000	$ 1,780,000
Supplemental disclosures of noncash activities:		
Unrealized loss on investment securities available-for-sale, net of losses included in net income	$ 2,373,644	$ (16,056,850)
Transfer of unrealized losses on securities from available-for-sale securities to 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	$ 771,832	$ 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 offices in Redding and Oroville, 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 opened its new Business Banking Office in Oroville, California, in October 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.

Principles 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 29, 2024, 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 credit losses and the determination of fair value of financial instruments for measurement and disclosure.

Cash and cash equivalents – For the purpose of the consolidated statements 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.

Allowance for Credit Losses on Available-for-Sale Securities – For available-for-sale securities in an unrealized loss position, management first assesses whether it intends to sell, or is more likely than not to be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis.

Changes in the ACL are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities is not included in the estimate of credit losses.

Allowance for Credit Losses on Held-to-Maturity Debt Securities – Management measures expected credit losses on held-to-maturity securities by individual basis. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers credit ratings and historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

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 credit losses on loans – The allowance for credit losses on loans is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed and recoveries are credited to the allowance when received. In the case of recoveries, amounts may not exceed the aggregate of amounts previously charged off.

Management utilizes relevant available information, from internal and external sources, relating to past events, current conditions, historical loss experience, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Accrued interest receivable is excluded from the estimate of credit losses for loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. These portfolio segments include commercial, commercial real estate, 1-4 family real estate, real estate construction, and consumer loans. The relative significant of risk considerations vary by portfolio segment.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines foreclose is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs.

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 credit 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.

Results for the full year ended December 31, 2023, are presented under the current expected credit losses (CECL) methodology while prior period amounts continue to be reported in accordance with Accounting Standards Codification (ASC) Topic 450, Contingencies, are specific reserves based upon ASC Topic 310, Receivables. See Note 4 to the consolidated financial statements.

Allowance for credit losses on unfunded commitments – 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 $200,000 and $85,000, is included in accrued interest payable and other liabilities on the consolidated balance sheets at December 31, 2023 and 2022, respectively.

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, 2023 and 2022, 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 and restricted stock in computing diluted EPS.

Comprehensive income (loss) – 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 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.

Advertising – Advertising costs are charged to expense in the period incurred and totaled $380,867 and $420,041 for the years ended December 31, 2023 and 2022, 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 grant date fair value 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.

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 the 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 credit impairment, 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 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326, while prior amounts continue to be reported in accordance with previously applicable GAAP. The adoption resulted in a cumulative-effect adjustment of $186,000 to decrease the beginning balance of retained earnings.

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, 2023 and 2022:

	2023				
	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 7,142,073	$ 7,142,073	$ -	$ -	$ 7,142,073
Federal funds sold	11,624,168	11,624,168	-	-	11,624,168
Interest-bearing deposits and interest-bearing time deposits in other financial institutions	36,815,339	23,652,439	13,162,900	-	36,815,339
Held-to-maturity investment securities	95,605,200	-	90,707,050	-	90,707,050
Loans, net	236,167,990	-	-	225,489,000	225,489,000
Financial liabilities:					
Deposits	$ 445,045,385	$ 353,350,000	$ 40,245,000	$ -	$ 393,595,000
Subordinated debt	5,842,976	-	4,887,000	-	4,887,000

	2022				
	Carrying Amount	Fair Value Measurements Using: 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

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, 2023 and 2022:

	2023			
	Fair Value	Level 1	Level 2	Level 3
Available for sale debt securities:				
Government guaranteed residential mortgage-backed securities	$ 3,454,349	$ -	$ 3,454,349	$ -
Municipal securities	56,168,129	-	56,168,129	-
Corporate debt securities	8,733,400	-	8,733,400	-
Collateralized mortgage obligations	16,060,548	-	16,060,548	-
Total assets measured at fair value	$ 84,416,426	$ -	$ 84,416,426	$ -

	2022			
Available for Sale	Fair Value	Level 1	Level 2	Level 3
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	$ -

At December 31, 2023 and 2022, 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.

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, 2023 and 2022.

Note 3 – Investment Securities

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

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
Available for sale debt securities:					
Government guaranteed residential mortgage-backed securities	$ 3,847,060	$ -	$ (392,711)	$ -	$ 3,454,349
Municipal securities	66,369,695	-	(10,201,566)	-	56,168,129
Corporate debt securities	9,844,490	3,420	(1,114,510)	-	8,733,400
Collateralized mortgage obligations	17,125,411	2,316	(1,067,179)	-	16,060,548
Total	$ 97,186,656	$ 5,736	$ (12,775,966)	$ -	$ 84,416,426
Held to maturity debt securities:					
U.S. Government-sponsored entities	$ 48,444,727	$ -	$ (1,521,964)	$ -	$ 46,922,763
Government guaranteed residential mortgage-backed securities	10,992,163	-	(1,036,518)	-	9,955,645
Municipal securities	31,998,060	-	(2,174,375)	-	29,823,685
Collateralized mortgage obligations	4,170,250	-	(165,293)	-	4,004,957
Total	$ 95,605,200	$ -	$ (4,898,150)	$ -	$ 90,707,050

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit 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
Total	$ 100,918,652	$ -	$ (15,143,874)	$ -	$ 85,774,778
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
Total	$ 97,054,831	$ -	$ (6,782,958)	$ -	$ 90,271,873

There were no sales of investment securities during the year ended December 31, 2023. 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.

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 income (loss), and the net loss on securities will be accreted over the remaining life of the securities. The original premium or discount will continue to be accreted into income over the remaining life of the securities.

The following table summarizes securities with unrealized losses at December 31, 2023 and 2022, aggregated by major security type and length of time in a continuous unrealized loss position:

	2023					
	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:						
Government guaranteed residential mortgage-backed securities	$ -	$ -	$ 3,454,349	$ (392,711)	$ 3,454,349	$ (392,711)
Municipal securities	-	-	56,168,129	(10,201,566)	56,168,129	(10,201,566)
Corporate debt securities	-	-	8,295,809	(1,114,510)	8,295,809	(1,114,510)
Collateralized mortgage obligations	1,178,394	(15,530)	14,390,642	(1,051,649)	15,569,036	(1,067,179)
Total	$ 1,178,394	$ (15,530)	$ 82,308,929	$ (12,760,436)	$ 83,487,323	$ (12,775,966)
Held to maturity debt securities:						
U.S. Government-sponsored entities	$ -	$ -	$ 46,922,763	$ (1,521,964)	$ 46,922,763	$ (1,521,964)
Government guaranteed residential mortgage-backed securities	-	-	9,955,645	(1,036,518)	9,955,645	(1,036,518)
Municipal securities	-	-	29,823,685	(2,174,375)	29,823,685	(2,174,375)
Collateralized mortgage obligations	-	-	4,004,957	(165,293)	4,004,957	(165,293)
Total	$ -	$ -	$ 90,707,050	$ (4,898,150)	$ 90,707,050	$ (4,898,150)

	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)
Total	$ 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)
Total	$ 45,831,919	$ (3,865,156)	$ 44,439,954	$ (2,917,802)	$ 90,271,873	$ (6,782,958)

At December 31, 2023, the Company held 142 available-for-sale securities with an amortized cost of $95,069,364 that were in a loss position for more than 12 months. At December 31, 2023, the Company held 73 held-to-maturity securities with a book value of $95,605,200 that were in a loss position for more 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, 2023 and 2022, 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 $30,525,081 and $9,714,467, and estimated fair values totaling $27,291,406 and $8,048,727 were pledged to secure certain public funds and secure borrowing arrangements at December 31, 2023 and 2022, respectively.

Contractual maturities – The amortized cost and estimated fair value of investment securities at December 31, 2023, 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	$ 55,798	$ 54,857
After one year through five years	24,318,322	22,650,849
After five years through ten years	41,406,881	35,883,625
After ten years	27,558,595	22,372,746
Subtotal	93,339,596	80,962,077
Investment securities not due at a single maturity date:		
Government guaranteed residential mortgage-backed securities	3,847,060	3,454,349
Total	$ 97,186,656	$ 84,416,426

	Amortized Cost	Estimated Fair Value
Held to maturity debt securities:		
Within one year	$ 18,955,284	$ 18,685,099
After one year through five years	49,967,842	47,481,182
After five years through ten years	12,073,134	11,242,503
After ten years	815,292	764,450
Subtotal	81,811,552	78,173,234
Investment securities not due at a single maturity date:		
Government guaranteed residential mortgage-backed securities	10,992,163	9,955,645
U.S. Government-sponsored entities	2,801,485	2,578,171
Total	$ 95,605,200	$ 90,707,050

Credit Quality Indicators – The Company monitors the credit quality of debt securities held-to-maturity with credit risk exposures and no available credit rating using an internal rating system that factors a variety of institution-specific financial performance variables. There were no held-to-maturity securities on nonaccrual or past due over 89 days and still on accrual. The table below presents the amortized cost by rating at December 31, 2023:

	Amortized Cost
AAA/AA/A	$ 33,955,721
BBBB/BB/B	-
CCC/NA	-
No Rating	61,649,479
	$ 95,605,200

Note 4 – Loans and Allowance for Credit Losses

Outstanding loans at December 31, 2023 and 2022, are summarized below:

	2023	2022
Commercial	$ 40,953,001	$ 31,881,285
Real estate – commercial	149,863,496	161,346,819
Real estate – residential	36,430,289	31,066,155
Real estate – construction	11,899,204	16,693,065
Consumer and other	572,413	550,261
Total loans	239,718,403	241,537,585
Deferred loan origination costs (fees), net	386,089	363,337
Allowance for credit losses	(3,936,502)	(3,955,485)
Total loans and allowance for credit losses	$ 236,167,990	$ 237,945,437

Salaries and employee benefits totaling $576,878 and $648,351 were deferred as loan origination costs for the years ended December 31, 2023 and 2022, respectively.

Allowance information presented as of and for the year ended December 31, 2023 is presented under the CECL model and allowance information presented as of and for the year ended December 31, 2022 is presented under the incurred loss model.

The following tables show the allocation and activity of the allowance for credit losses at and for the years ended December 31, 2023 and 2022, by portfolio class and by impairment methodology:

	2023					
	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Total
Allowance for credit losses:						
Beginning balance, prior to adoption of ASU 2016-13	$ 573,810	$ 238,469	$ 2,842,357	$ 289,469	$ 11,380	$ 3,955,485
Impact of adopting ASU 2016-13	326,476	169,039	(1,187,890)	677,345	(4,970)	(20,000)
(Recovery of provision) provision for credit losses	9,958	(83,641)	(37,091)	110,777	8,610	8,613
Loans charged-off	-	-	-	-	(7,596)	(7,596)
Recoveries	-	-	-	-	-	-
Ending balance allocated to portfolio classes	$ 910,244	$ 323,867	$ 1,617,376	$ 1,077,591	$ 7,424	$ 3,936,502

As of December 31, 2023, the levels of national unemployment and gross domestic product are forecasted to be relatively stable. Loan charge-offs were the primary driver for the provision expense of $8,613 recognized for the year ended December 31, 2023. Management believes that the allowance for credit losses at December 31, 2023 appropriately reflected expected credit losses in the loan portfolio at that date.

	2022					
	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Total
Allowance for credit losses:						
Beginning balance	$ 612,793	$ 339,213	$ 3,174,641	$ 429,704	$ 21,427	$ 4,577,778
(Recovery of provision) provision for credit 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

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2023:

	2023						
	Credit Risk Profile by Internally Assigned Grade						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term	Total
Commercial							
Pass	$ 5,650,961	$ 8,953,581	$ 8,074,995	$ 9,010,711	$ 8,879,790	$ -	$ 40,570,038
Special Mention	87,680	-	51,000	16,844	127,000	-	282,524
Substandard	-	35,325	32,623	32,491	-	-	100,439
Total Commercial	5,738,641	8,988,906	8,158,618	9,060,046	9,006,790	-	40,953,001
Real Estate - Commercial							
Pass	$ 5,087,025	$ 23,765,278	$ 30,597,236	$ 82,836,478	$ -	$ -	$ 142,286,017
Special Mention	161,412	-	592,413	4,923,110	-	-	5,676,935
Substandard	-	-	-	1,900,544	-	-	1,900,544
Real Estate - Commercial	5,248,437	23,765,278	31,189,649	89,660,132	-	-	149,863,496
Real Estate - Residential							
Pass	$ 4,646,625	$ 5,398,113	$ 2,525,345	$ 14,268,991	$ 8,536,599	$ 327,130	$ 35,702,803
Special Mention	-	408,375	-	319,111	-	-	727,486
Total Real Estate - Residential	4,646,625	5,806,488	2,525,345	14,588,102	8,536,599	327,130	36,430,289
Real Estate - Construction							
Pass	$ 2,022,213	$ 8,464,481	$ -	$ 437,510	$ -	$ -	$ 10,924,204
Special Mention	-	-	975,000	-	-	-	975,000
Total Real Estate - Construction	2,022,213	8,464,481	975,000	437,510	-	-	11,899,204
Consumer and Other							
Pass	$ 149,795	$ 1,472	$ -	$ -	$ 421,146	$ -	$ 572,413
Total Consumer and Other	149,795	1,472	-	-	421,146	-	572,413
Total Loans	$ 17,805,711	$ 47,026,625	$ 42,848,612	$ 113,745,790	$ 17,964,535	$ 327,130	$ 239,718,403
Total Loans							
Pass	$ 17,556,619	$ 46,582,925	$ 41,197,576	$ 106,553,690	$ 17,837,535	$ 327,130	$ 230,055,475
Special Mention	249,092	408,375	1,618,413	5,259,065	127,000	-	7,661,945
Substandard	-	35,325	32,623	1,933,035	-	-	2,000,983
Total	$ 17,805,711	$ 47,026,625	$ 42,848,612	$ 113,745,790	$ 17,964,535	$ 327,130	$ 239,718,403

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2022:

	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
Total	$ 31,881,285	$ 16,693,065	$ 161,346,819	$ 31,066,155	$ 550,261	$ 241,537,585

The following tables show an aging analysis of the loan portfolio by the time past due at December 31, 2023 and 2022:

	2023				
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total
Commercial	$ -	$ -	$ -	$ 40,953,001	$ 40,953,001
Real estate – commercial	-	-	-	149,863,496	149,863,496
Real estate – residential	-	-	-	36,430,289	36,430,289
Real estate – construction	-	-	-	11,899,204	11,899,204
Consumer	-	-	-	572,413	572,413
Total	$ -	$ -	$ -	$ 239,718,403	$ 239,718,403

	2022				
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total
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
Total	$ -	$ -	$ -	$ 241,537,585	$ 241,537,585

There were no loans over 90 days past due accruing interest as of December 31, 2023 and 2022. The Company has no loans on nonaccrual status as of December 31, 2023 and 2022. The Company has no individually evaluated loans at December 31, 2023.

Loan modifications – On January 1, 2023 the Company adopted ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt restructurings and Vintage Disclosures. These amendments eliminate the TDR recognition and measurement guidance and, instead, require that an entity evaluate (consistent with the accounting for the other loan modifications) whether the modification represents a new loan or continuation of an existing loan.

Occasionally, the Company modifies loans to borrowers in financial difficulty by providing principal forgiveness, term extension, payment delays or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. There were no modified loans to borrowers experiencing financial difficulty in 2023 and 2022.

Note 5 – Bank Premises and Equipment

Bank premises and equipment at December 31, 2023 and 2022, consisted of the following:

	2023	2022
Land	$ 184,395	$ 184,395
Building	2,567,428	609,101
Furniture, fixtures and equipment	1,354,973	1,233,696
Leasehold improvements	2,095,892	2,057,858
Construction in process	26,195	210,264
Subtotal	6,228,883	4,295,314
Less accumulated depreciation	(2,513,839)	(2,304,908)
Total bank premises and equipment	$ 3,715,044	$ 1,990,406

Depreciation and amortization included in occupancy and equipment expense totaled $277,698 and $282,293 for the years ended December 31, 2023 and 2022, respectively.

Note 6 – Interest-Bearing Deposits

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2023 and 2022, were $24,006,200 and $11,127,871, respectively.

Interest-bearing deposits at December 31, 2023 and 2022, consisted of the following:

	2023	2022
Savings	$ 26,490,220	$ 40,776,938
Money market	150,827,854	148,834,246
Interest-bearing demand accounts	52,415,511	63,298,494
Time	47,252,107	18,082,551
Total deposits	$ 276,985,692	$ 270,992,229

Aggregate annual maturities of time deposits are as follows:

Year Ending December 31:	
2024	$ 45,894,399
2025	783,900
2026	30,104
2027	543,704
Thereafter	-
Total	$ 47,252,107

Interest expense recognized on interest-bearing deposits for the years ended December 31, 2023 and 2022, consisted of the following:

	2023	2022
Savings	$ 55,406	$ 19,798
Money market	2,727,756	376,872
Interest-bearing demand accounts	88,220	51,175
Time	1,255,268	59,839
Total interest expense	$ 4,126,650	$ 507,684

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, 2023 and 2022.

In addition, the Company has a borrowing arrangement with the FRB. Borrowings are secured by investment securities pledged by the Company. The Company's borrowing capacity varies depending on the type and value of investments pledged. At December 31, 2023 and 2022, there were no outstanding borrowings.

The Company has a secured borrowing arrangement with the FHLB. At December 31, 2023 and 2022, there were no outstanding borrowings from the FHLB.

At December 31, 2023 and 2022, the Company's borrowing capacity under this arrangement was $57,944,609 and $69,659,192, respectively. The Company is required to pledge available-for-sale investment securities and certain loans to secure any advances under this arrangement. Loans totaling $111,227,261 and $125,028,759 were pledged to secure advances from the FHLB at December 31, 2023 and 2022, 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, 2023 and 2022, the subordinated debenture had a net book balance, including unamortized issuance cost of $5,842,976 and $5,794,660, respectively.

For the years ended December 31, 2023 and 2022, the Company's interest expense, including amortization of issuance costs related to the notes was $303,332 and $244,175, respectively.

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, 2023 and 2022, consisted of the following:

	2023		
	Federal	State	Total
Current	$ 843,920	$ 576,013	$ 1,419,933
Deferred	114,080	987	115,067
Total	$ 958,000	$ 577,000	$ 1,535,000

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

Deferred tax assets (liabilities) at December 31, 2023 and 2022, consisted of the following:

	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 1,021,070	$ 1,020,770
Stock-based expense	172,571	134,771
State tax deferral	286,332	143,263
Lease liability	450,058	324,323
Unrealized loss on available-for-sale securities	4,924,954	4,360,092
Other	59,128	275,605
Total deferred tax assets	6,914,113	6,258,824
Deferred tax liabilities:		
Loan origination costs	(331,241)	(339,236)
Premises and equipment	(155,180)	(75,195)
Right-of-use lease asset	(424,362)	(294,921)
Other	(24,107)	(20,042)
Total deferred tax liabilities	(934,890)	(729,394)
Net deferred tax assets	$ 5,979,223	$ 5,529,430

The effective tax rate at December 31, 2023 and 2022, as a percentage of income before income taxes, differs from the statutory federal income tax rate as follows:

	2023	2022
Federal income tax expense, at statutory rate	21.0%	21.0%
State franchise tax, net of Federal tax effect	8.5%	8.7%
Tax-exempt income from life insurance policies	(0.1)%	(0.1)%
Tax exempt income	(0.5)%	(0.5)%
Stock based compensation	0.2%	0.3%
Other	(0.1)%	(0.1)%
Effective tax rate	29.0%	29.3%

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, 2020, and by state and local taxing authorities for years ended before December 31, 2019.

As of December 31, 2023 and 2022, 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 $386,820 and $342,452 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

	2023	2022
Right-of-use lease asset	$ 1,435,419	$ 997,583
Lease liability	$ 1,522,338	$ 1,097,034
Weighted Average Remaining Lease Term	5.90	3.69
Weighted Average Discount Rate	3.52%	2.77%

Maturities of lease liabilities as of December 31, 2023, are as follows:

2024	$ 416,040
2025	422,540
2026	216,120
2027	135,252
Thereafter	515,729
Total undiscounted cash flows	1,705,681
Less: present value discount	(183,343)
Present value of net future minimum lease payments	$ 1,522,338

The following table presents the components of lease expense as of December 31, 2023 and 2022:

	2023	2022
Operating lease cost	$ 384,572	$ 356,545
Variable lease cost	56,915	50,016
Sublease income	(92,644)	(92,624)
Total lease cost	$ 348,843	$ 313,937

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 $55,700,000 and $57,391,000 at December 31, 2023 and 2022, 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 65% 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 5% 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 29% 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 nearly 0% 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, 2023 and 2022. In management's judgment at December 31, 2023, a concentration of loans exists in real estate commercial, mortgage and non-real estate commercial related loans, which represented approximately 63%, 20%, and 17% of the Company's loans, respectively. 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. 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 31,000 outstanding options under the plan at December 31, 2023. 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 530,957 and 534,057 shares reserved for future grants at December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023, is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options:				
Outstanding at January 1, 2023	213,350	$ 13.28	5.89	$ 913,645
Grants	-	$ -	-	$ -
Exercised	-	$ -	-	$ -
Forfeited, expired, or cancelled	-	$ -		$ -
Outstanding at December 31, 2023	213,350	$ 13.22	4.83	$ 426,868
Exercisable at December 31, 2023	139,064	$ 12.17	3.88	$ 385,679
Options expected to vest	52,154	$ 15.63	6.77	$ 25,413

At December 31, 2023, the unrecognized cost related to nonvested stock option awards totaled $125,527. That cost is expected to be amortized on a straight-line basis over a weighted average period of 2.09 years and will be adjusted for subsequent changes in estimated forfeitures. During 2023, the Company extended the expiration of 3,850 fully vested share options held by an executive. There was no significant impact to compensation expense as a result of that modification.Total share-based expense of $174,610 and $220,142 is recorded in salaries and benefits and other noninterest expense for the years ended December 31, 2023 and 2022, respectively. The fair value of options vested during 2023 and 2022 totaled $157,860 and $240,910, respectively.

There were no options granted in 2023. The weighted average grant-date fair value per share of stock options granted in 2022 was $5.90. The weighted average grant date assumptions used for the year ended December 31, 2022, are shown below.

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

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, 2023 and 2022, is shown below.

	2023		
	Net Income	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic earnings per share	$ 3,750,452	2,230,678	$ 1.68
Effect of dilutive stock options	-	34,225	
Diluted earnings per share	$ 3,750,452	2,264,903	$ 1.66

	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

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 77,500 and 60,000 for the years ended December 31, 2023 and 2022, respectively.

Stock repurchased – The Company repurchased and retired 6,577 and 5,500 shares of common stock for a total value of $97,235 and $92,950 for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022, no amounts were free of such restrictions. There were no dividends declared to shareholders of record in 2023 and 2022.

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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

	December 31, 2023		December 31, 2022	
	Amount	Ratio	Amount	Ratio
Leverage Ratio:				
Golden Valley Bank	$ 49,258,000	9.6%	$ 45,599,000	9.0%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 24,428,000	5.0%	$ 23,905,000	5.0%
Minimum regulatory requirement	$ 19,543,000	4.0%	$ 19,124,000	4.0%
Tier 1 Risk-Based Capital Ratio:				
Golden Valley Bank	$ 49,258,000	16.0%	$ 45,599,000	14.6%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 24,605,000	8.0%	$ 25,031,000	8.0%
Minimum regulatory requirement	$ 18,454,000	6.0%	$ 18,773,000	6.0%
Common Equity Tier 1 Capital Ratio:				
Golden Valley Bank	$ 49,258,000	16.0%	$ 45,599,000	14.6%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 19,992,000	6.5%	$ 20,338,000	6.5%
Minimum regulatory requirement	$ 13,840,000	4.5%	$ 14,080,000	4.5%
Total Risk-Based Capital Ratio:				
Golden Valley Bank	$ 49,258,000	17.3%	$ 49,511,000	15.8%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 30,756,000	10.0%	$ 31,289,000	10.0%
Minimum regulatory requirement	$ 24,605,000	8.0%	$ 25,031,000	8.0%

Management believes that the Company met all its capital adequacy requirements as of December 31, 2023 and 2022.

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, 2023 and 2022:

	2023	2022
Balance, beginning of year	$ 9,966,923	$ 10,602,872
Balance transfer, net	-	322,178
Disbursements	2,239,534	1,906,941
Amounts repaid	(1,033,185)	(2,865,068)
Balance, end of year	11,173,272	9,966,923
Undisbursed commitments to related parties, December 31	$ 1,976,975	$ 1,698,393

At December 31, 2023 and 2022, the Company's deposits from related parties totaled approximately $13,815,772 and $15,308,000, 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 $230,985 and $200,075 to the Plan during the years ended December 31, 2023 and 2022, respectively.

Note 16 – Other Expenses

Other expenses for the years ended December 31, 2023 and 2022, consisted of the following:

	2023	2022
Data processing	$ 1,192,037	$ 1,001,270
Professional fees	428,074	520,778
Regulatory assessments	288,554	205,999
Advertising and marketing	380,867	420,041
Director fees	313,036	346,975
Other	1,065,876	1,021,922
Total	$ 3,668,444	$ 3,516,985

MOSSADAMS