Freedom Financial Holdings, Inc.

2022 ANNUAL REPORT

Business Banking • Personal Banking • Mortgage Banking

Our IDEAS Make the Difference

BIAS TOWARD "YES"

ENTREPRENEURIAL DNA

BEST-IN-CLASS SERVICE & TECHNOLOGY

freedom.bank

ABOUT THE BANK

Our Vision

- Provide compelling ideas, relevant financial products, and exceptional service to our clients in the way they wish to be served
- Focus on building lead relationships with businesses, real estate owners, and professionals with sales offices across Northern Virginia and the DC Metropolitan Service Area
- Concentrate on industry verticals to deliver unique, sector-specific solutions and have market executives to engage local businesses and communities
- Use innovative technology, a network of sales offices, and a team of experienced bankers to make banking functional and convenient for businesses and consumers

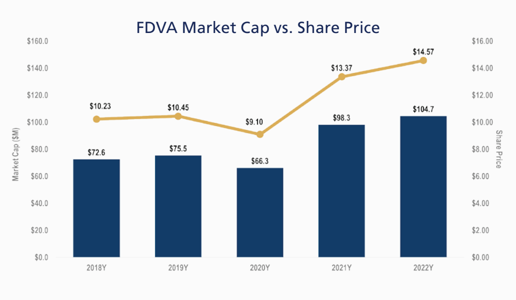
Our Core Values

- Freedom Bank's innovative approach to banking starts with IDEAS based upon a keen understanding of client needs and market opportunities.
  - > **INNOVATION** - Exhaust all options and take smart risks
  - > **DISCIPLINE** - Act with unwavering integrity
  - > **EXPERIENCE** - Deliver exceptional outcomes
  - > **ATTITUDE** - Build relationships through teamwork and respect
  - > **SERVICE** - Participate in our communities and industries
- Our IDEAS help define the value we bring to lead client relationships and in the capabilities that we develop on our team or through partnering with best-in-class product providers.

FINANCIAL HIGHLIGHTS

HISTORICAL PERFORMANCE TRENDS

BUILDING SHAREHOLDER VALUE



FREEDOM FINANCIAL HOLDINGS, INC.

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A LETTER TO OUR SHAREHOLDERS

March 10, 2023

Dear Shareholders:

On behalf of our directors and officers, we are pleased to present the 2022 Annual Report for Freedom Financial Holdings, Inc. that highlights our financial performance during the past year. These results were achieved during a period of massive transition in the economy as the Federal Reserve increased the Federal Funds rate by 425 basis points to fight inflation and liquidity began to leave the banking system. These cyclical changes pressured all banks cost of funds and contribution of market-sensitive, fee-based products, including mortgage banking.

We successfully navigated this unique economic environment by turning to organic loan and deposit growth to sustain our profitability. The Company produced an attractive return on equity in 2022 of 13.6% and an increase in our stock price of 9.0% at a time when the KRE Index – which tracks regional bank stock prices – declined 17.1%. Notably, our strong earnings also increased our Tangible Book Value per share excluding Accumulated Other Comprehensive Income (AOCI) by 13.3% to $12.87, achieving our goal of a 10% annual increase.

Freedom achieved net income for the full year 2022 of $10,563,572 or $1.45 per diluted share compared to net income of $10,727,961 or $1.46 per diluted share for the full year 2021.

The bank's core profitability was far improved with 21.8% loan growth in the year, a 10-basis point increase in our net interest margin to 3.6% and an improvement in our efficiency ratio to 61.1%. These results enabled the Company to overcome significant declines in mortgage revenue and Paycheck Protection Program (PPP) forgiveness income compared to prior year.

The Company is fortunate to operate in the vibrant Washington DC MSA and our strategy to focus on entrepreneurs with talented banking professionals, growing regional offices, dedicated industry groups, and a leading digital platform is working. Freedom Bank has five unique business areas that provide a mix of revenues that are complementary in a very dynamic economy.

Commercial Banking is comprised of ten bankers and portfolio managers and focuses on a variety of commercial and industrial enterprises as well as commercial real estate markets. We were able to increase portfolio loans by 21.8%, with commercial and industrial loans representing 23% of portfolio loans as of December 31, 2022. The Bank closed on $226.1 million of commercial loans and lines for 274 clients in 2022. We are proud of these loyal clients, and you will find tombstone announcements representing several notable businesses for which we provided new loans in 2022 at the back of this report.

Community Banking includes five sales offices across Northern Virginia, and we were excited to relocate our Chantilly Branch and combine it with our Mortgage Division in early 2023. Our team opened $86.7 million in deposits for 758 clients in 2022 and launched several new deposit products, most notably our new Freedom2Earn interest checking account. This led to strong deposit growth of 22.1% in 2022, with non-interest deposit balances now representing 22.8% of total deposits and cost of funds was 0.89 % for the full year 2022.

Treasury Services includes a team of six professionals providing state-of-the-art technology-focused banking services to our business clients. We offer payment solutions on the Q2 and Fiserv platforms, Merchant Service through a strategic partnership with Fiserv/First Data and Business Credit Cards offered through a strategic partnership with Elan Financial Services. We also launched online account opening capabilities for business and consumer accounts and a new digital invoicing and payment solution for business clients powered by Autobooks.

SBA Banking has grown to ten experienced SBA Bankers offering SBA 7(a) and 504, USDA, and Bureau of Indian Affairs guaranteed loans to meet the needs of Freedom's clients in the DC Region and new clients throughout the East Coast. The team generated loan production of $24.5 million for the 12 months ended December 31, 2022. Notably, the Bank is approved to offer loan products under the Small Business Association's Preferred Lender Program in 2022 that enables us to make government guaranteed loans without prior SBA approval and improve competitiveness and closing times.

Mortgage Banking is comprised of 15 mortgage loan officers and a dedicated operations team. We generated residential loan production of $148.2 million in 2022, including $33.6 million of jumbo loans that were held in our portfolio. We offer an extensive list of products, including VA, FHA, VHDA, and USDA mortgages, all of which are extremely helpful to drive purchase volume and support first-time home buyers.

The pandemic years galvanized our talented group of leaders and our team of amazing employees at the Company differentiates us with clients and continues to drive our success. We utilized internal employee referrals to hire 31 new employees in 2022 to strengthen our team and build capabilities. We were excited to hire a new Market President for Loudoun County responsible for building lead relationships and accelerating the Bank’s growth in this key market.

We held our first-ever Freedom Day connecting all employees in person including remote employees from around the country. It was an opportunity to celebrate our accomplishments in 2022 and discuss our strategic plans for the year ahead. The event also included a company-wide service project for Veterans Moving Forward and Soldiers' Angels. The conclusion from this time together was that our model of focusing on entrepreneurs, business owners, and private real estate investors with talented bankers and leading technology continues to provide a runway for success.

As an extension of our commitment to helping small businesses and promoting more inclusion in the financial system, our Board of Directors approved a new mission and strategy for the Freedom Bank Foundation focused on economic inclusion to make the communities Freedom Bank serves more vibrant and more equitable. The Foundation held our inaugural Fall Gala to raise funds for the NOVA Freedom Fund. The Gala successfully raised over $110,000 for the Fund, which makes loans to entrepreneurs of color in the DC region administered by the Community Business Partnership, Inc.

The Company also has a dedicated commitment to Diversity, Equity, Inclusion and Belonging led by the Freedom DEI&B Committee with intentional training and coaching to ensure every employee flourishes. We have completed a company-wide Diversity training led by a third-party instructor for the Board of Directors and all employees to elevate the awareness of unconscious bias and promote great empathy and understanding at work.

As we reflect on the milestones and success of 2022, we are energized for the year ahead. We anticipate that the economy will continue to experience persistent inflation that will result in ongoing challenges for rising funding costs and ultimately credit quality concerns. We have been investing heavily in our sales culture, deposit gathering capability and portfolio management infrastructure to prepare for this reality. These efforts include expanding upon our branch footprint, industry focus, and digital products. The Company is poised for this environment with a very strong balance sheet with Tier 1 Capital of 13.4% and abundant on- and off-balance sheet liquidity.

We are now planning and preparing to cross over the $1.0 billion in total asset threshold in 2023 that will require us to implement additional risk management infrastructure, including adopting Current Expected Credit Losses (CECL) methodology on January 1, 2023. Within our team, we have a line of sight for succession as we expand our reach and, more importantly, increase depth to scale the organization for our next chapter of growth. We believe that our IDEAS Core Values – Innovation, Discipline, Experience, Attitude and Service – will continue to serve as our guide for the Company as we continue to serve our clients and communities.

Sincerely,

H Jason Gold

H. JASON GOLD
Chairman of the Board

Joseph J. Thomas

JOSEPH J. THOMAS, CFA
President & CEO

INDEPENDENT AUDITOR'S REPORT

Crowe

Crowe LLP
Independent Member Crowe Global

Report of Independent Registered Public Accounting Firm

Stockholders and the Board of Directors of Freedom Financial Holdings, Inc.
Fairfax, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Freedom Financial Holdings, Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses – Qualitative Factors

As more fully described in Note 1 and Note 4 to the consolidated financial statements, the Company's allowance for loan losses consists of two basic components: the specific allowance and the pooled ("general") allowance.

The general component is determined is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent five years. The actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: delinquencies, loss history, trends in volume and terms of loans, effects of changes in lending policy, the experience and depth of management, national and local economic trends, concentrations of credit, results of the loan review system and the effect of external factors (i.e., competition and regulatory requirements).

The principal consideration for our determination that auditing the economic factors applied to adjust historical loss experience (qualitative factors) in the allowance for loan losses calculation is a critical audit matter is the high degree of subjectivity involved in management's assignment of allowance factors based on management's judgment associated with each allowance factor, which resulted in significant audit effort and a high degree of auditor judgment.

Our audit procedures to address the critical audit matter related to the allowance for loan losses qualitative factors included the following substantive testing:

- Evaluating the relevance and reliability of the underlying objective data used to derive the qualitative factors.
- Evaluating the reasonableness of management's adjustments to historical loss experience based on their selected qualitative factors.
- Performing substantive analytical procedures to evaluate changes that occurred in the allowance for loan losses for loans collectively evaluated for impairment including evaluation for directional consistency and obtaining evidence for significant changes.

CROWE LLP

Crowe LLP

We have served as the Company's auditor since 2021.

Washington, D.C.
March 10, 2023

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

December 31

2022 and 2021

ASSETS	2022	2021
Cash and due from financial institutions	$ 2,099,062	$ 2,536,450
Interest-bearing deposits with banks	32,674,953	31,696,891
Cash and Cash Equivalents	34,774,015	34,233,341
Securities available-for-sale	181,558,037	171,532,394
Securities held to maturity (fair value 2022 - $14,634,802; 2021 - $17,995,774)	17,096,010	18,012,874
Restricted stock investments	3,889,200	3,321,250
Loans held for sale	5,064,385	13,297,125
Loans receivable	700,003,008	602,369,321
Allowance for loan losses	(7,614,120)	(6,486,120)
Net Loans	692,388,888	595,883,201
Premises and equipment, net	977,393	1,139,204
Accrued interest receivable	3,784,076	2,466,712
Deferred tax asset, net	6,629,622	1,631,115
Bank-owned life insurance	26,248,974	24,579,879
Right-of-use asset, net	1,736,285	2,704,888
Other assets	16,484,808	7,870,617
TOTAL ASSETS	$990,631,693	$876,672,600

NOTE: The Notes to Consolidated Financial Statements are an integral part of these statements.

LIABILITIES	2022	2021
Deposits		
Demand deposits		
Non-interest bearing	$ 187,416,628	$ 222,167,095
Interest bearing	409,760,574	300,361,979
Savings deposits	5,977,828	5,841,800
Time deposits	245,840,048	173,322,527
Total Deposits	848,995,078	701,693,401
Federal Home Loan Bank advances	25,000,000	29,035,714
PPP liquidity facility advances	5,826,298	32,055,915
Subordinated debt, net of issuance costs	19,674,794	19,616,869
Accrued interest payable	1,265,796	294,237
Lease liability	1,862,773	2,823,885
Other liabilities	13,060,825	6,993,855
TOTAL LIABILITIES	$ 915,685,564	$ 792,513,876

Commitments and contingent liabilities - See Note 1

STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value, 5,000,000 shares authorized; 0 shares issued and outstanding, 2022 and 2021	-	-
Common stock, $0.01 par value, 25,000,000 shares authorized: 23,000,000 shares voting and 2,000,000 shares non-voting.		
Voting Common Stock:		
6,583,328 and 6,676,545 shares issued and outstanding at December 31, 2022 and 2021, respectively (includes 72,069 and 86,788 unvested shares, respectively)	65,113	65,898
Non-Voting Common Stock:		
673,000 shares issued and outstanding at December 31, 2022 and 2021, respectively	6,730	6,730
Additional paid-in capital	58,241,499	59,884,615
Accumulated other comprehensive income (loss), net	(17,480,994)	651,272
Retained earnings	34,113,781	23,550,209
Total Stockholders' Equity	74,946,129	84,158,724
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 990,631,693	$ 876,672,600

NOTE: The Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31

2022 and 2021

INTEREST INCOME	2022	2021
Interest and fees on loans	$ 32,213,808	$ 28,335,210
Interest on investment securities		
Taxable	5,521,973	2,607,476
Tax-exempt	589,783	528,259
Interest on deposits with banks	601,382	86,903
Total Interest Income	38,926,946	31,557,848
INTEREST EXPENSE		
Interest on deposits	6,512,624	2,275,780
Interest on borrowings	826,392	766,060
Total Interest Expense	7,339,016	3,041,840
Net Interest Income	31,587,930	28,516,008
PROVISION FOR LOAN LOSSES	1,248,000	839,000
Net Interest Income After Provision for Loan Losses	30,339,930	27,677,008
NON-INTEREST INCOME		
Gain on sale of mortgage loans	2,271,630	7,085,806
Gain on sale of SBA-guaranteed loans	997,967	437,825
Gain on sale/call of investment securities	19,262	5,706
Service charges and other income	1,442,681	1,456,600
Loan servicing income	218,190	192,413
Swap fee income	68,404	-
Increase in cash surrender value of bank-owned life insurance	669,095	544,665
Total Non-Interest Income	5,687,229	9,723,015
NON-INTEREST EXPENSES		
Officer and employee compensation and benefits	15,160,439	16,341,245
Occupancy expense	1,266,050	1,232,056
Equipment and depreciation expense	705,170	662,050
Insurance expense	363,099	267,583
Professional fees	1,062,306	1,365,057
Data and item processing	1,212,233	1,181,347
Business development	448,904	329,059
Franchise taxes	990,442	778,069
Mortgage fees and settlements	355,710	1,141,200
Other operating expense	1,209,644	846,850
Total Non-Interest Expenses	22,773,997	24,144,516

NOTE: The Notes to Consolidated Financial Statements are an integral part of these statements.

	2022	2021
INCOME BEFORE INCOME TAXES	13,253,162	13,255,507
INCOME TAX EXPENSE	2,689,588	2,527,546
NET INCOME	$ 10,563,574	$ 10,727,961
EARNINGS PER COMMON SHARE – BASIC	$ 1.45	$ 1.47
EARNINGS PER COMMON SHARE – DILUTED	$ 1.45	$ 1.46
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	7,285,726	7,316,505
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	7,307,659	7,363,536

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years Ended December 31

2022 and 2021

	2022	2021
Net Income	$ 10,563,574	$ 10,727,961
Other Comprehensive Income:		
Unrealized losses on securities:		
Unrealized holdings loss arising during the period	(24,717,529)	(1,551,958)
Reclassification adjustment for losses (gains) included in net income	(19,262)	(5,706)
Tax effect	5,194,728	360,284
Net of Tax	(19,542,063)	(1,197,380)
Unrealized gains on cash flow hedge:		
Unrealized holdings gain arising during the period	1,784,555	663,273
Reclassification adjustment for losses (gains) included in net income	-	-
Tax effect	(374,758)	(155,275)
Net of Tax	1,409,797	507,998
Total Other Comprehensive Loss	(18,132,266)	(689,382)
COMPREHENSIVE INCOME (LOSS)	$ (7,568,692)	$ 10,038,579

NOTE: The Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31

2022 and 2021

	Voting and Non-Voting					
	SHARES OF COMMON STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
BALANCE, JAN. 1, 2021	**7,183,645**	**$ 71,836**	**$59,223,538**	**$ 1,340,654**	**$12,822,248**	**$ 73,458,276**
Effect for reorganization	-	-	-	-	-	-
Net income	-	-	-	-	10,727,961	10,727,961
Other comprehensive loss	-	-	-	(689,382)	-	(689,382)
Stock options exercised	33,264	333	198,253	-	-	198,586
Restricted stock - vested, net of shares withheld	45,848	459	(12,576)	-	-	(12,117)
Stock-based compensation - stock options	-	-	615	-	-	615
Stock-based compensation - restricted stock	-	-	474,785	-	-	474,785
BALANCE, DEC. 31, 2021	**7,262,757**	**$ 72,628**	**$59,884,615**	**$ 651,272**	**$23,550,209**	**$ 84,158,724**
Net income	-	-	-	-	10,563,572	10,563,572
Other comprehensive loss	-	-	-	(18,132,266)	-	(18,132,266)
Common stock repurchased	(173,400)	(1,734)	(2,462,312)	-	-	(2,464,046)
Stock options exercised	45,739	457	283,124	-	-	283,581
Restricted stock - vested, net of shares withheld	49,163	492	(96,442)	-	-	(95,950)
Stock-based compensation - restricted stock	-	-	632,514	-	-	632,514
BALANCE, DEC. 31, 2022	**7,184,259**	**$ 71,843**	**$58,241,499**	**$ (17,480,994)**	**$34,113,781**	**$ 74,946,129**

NOTE: The Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31

2022 and 2021

CASH FLOWS FROM OPERATING ACTIVITIES	2022	2021
Net income	$ 10,563,574	$ 10,727,961
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	1,248,000	839,000
Depreciation and amortization of premises and equipment	165,988	186,309
Net amortization of available-for-sale securities	393,975	1,207,356
Deferred income tax benefit	(180,311)	(272,026)
Net realized gains on sales/calls of investment securities	(19,262)	(5,706)
Net gain on sale of mortgage loans	(2,271,630)	(7,085,806)
Net gain on sale of SBA guaranteed loans	(997,967)	(437,825)
Loans held for sale originated	(234,849,336)	(336,806,440)
Proceeds from the sale of loans held for sale	247,668,382	376,442,023
Proceeds from the sale of SBA loans	12,255,948	3,767,920
Stock-based compensation expense	536,564	463,283
Subordinated debt amortization expense	57,925	6,494
Earnings on bank-owned life insurance	(669,095)	(544,665)
Repayment of operating lease liabilities	7,491	30,739
(Increase) decrease in:		
Accrued interest receivable	(1,317,364)	402,156
Other assets	(3,327,862)	(724,930)
Increase (decrease) in:		
Accrued interest payable	971,559	(186,579)
Other liabilities	2,566,970	(1,590,381)
Net Cash Provided by Operating Activities	32,803,549	46,418,883

NOTE: The Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
2022 and 2021

CASH FLOWS FROM INVESTING ACTIVITIES	2022	2021
Available-for-sale securities:		
Proceeds from sales	$ -	$ 1,437,181
Maturities, prepayments and calls	18,545,768	31,665,477
Purchases	(53,682,915)	(110,206,241)
Held-to-maturity securities:		
Maturities, prepayments and calls	-	8,404,493
Purchases	916,864	(10,285,000)
(Purchase) sale of restricted stock investments, net	(567,950)	286,550
Loan originations (not including PPP), net	(116,051,047)	(81,114,911)
PPP loan origination	-	(53,887,807)
PPP loan payments	26,229,618	122,747,732
SBA loan origination, net	(21,504,915)	(3,624,581)
Purchased loans, net of payments	-	(39,999,994)
Acquisition of premises and equipment	(4,177)	(27,104)
Purchase of bank-owned life insurance	(1,000,000)	(7,000,000)
Net Cash Used in Investing Activities	(147,118,754)	(141,604,205)

CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits, net	$ 147,301,677	$ 153,204,567
Advances from the Federal Home Loan Bank	75,000,000	15,000,000
Repayment of advances from the Federal Home Loan Bank	(79,035,714)	(16,035,715)
Advances from the Payment Protection Plan Liquidity Facility ("PPPLF")	-	53,887,807
Repayment of advances from the PPPLF	(26,229,617)	(123,782,912)
Proceeds from subordinated debt, net of issuance costs	-	19,610,375
Proceeds from stock options	283,581	198,586
Repurchase of common stock	(2,464,046)	-
Net Cash Provided by Financing Activities	114,855,881	102,082,708
Net Increase in Cash and Cash Equivalents	540,674	6,897,386
Cash and Cash Equivalents, Beginning of Year	34,233,341	27,335,955
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 34,744,015	$ 34,233,341

NOTE: The Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31

2022 and 2021

SUPPLEMENTAL NONCASH DISCLOSURES	2022	2021
Unrealized loss on securities available-for-sale, net	$ (24,736,791)	$ (1,557,664)
Loans transferred (to)/from held-for-sale from/to portfolio	$ (2,314,677)	$ (799,191)
Right-of-use assets obtained in exchange for lease liabilities	$ -	$ 372,153
Unrealized gain on cash flow derivative	$ 1,784,555	$ 663,273
Unfunded commitment on limited partnership investments	$ 3,500,000	$ 3,033,013

SUPPLEMENTAL INFORMATION		
Cash paid during the year for interest	$ 6,367,457	$ 3,228,419
Cash paid during the year for income taxes	$ 2,085,000	$ 3,400,000

NOTE: The Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. Nature of Operations and Summary of Significant Accounting Policies

NATURE OF OPERATIONS

Freedom Financial Holdings, Inc. (the "Company") is a holding company headquartered in Fairfax, Virginia. The Company is the parent company of its wholly-owned subsidiary, The Freedom Bank of Virginia (the "Bank"). The Bank subsidiary is a state-chartered bank and a member of the Federal Reserve and is subject to the rules and regulations of the Virginia State Banking Commission, the Federal Reserve and the Federal Deposit Insurance Corporation ("FDIC"). The Company provides banking services at its branch offices in Vienna, Fairfax, Chantilly, Reston and Manassas, Virginia, and serves customers primarily in the Northern Virginia area. Additionally, the Company has a mortgage division located in Chantilly, Virginia and a small business lending division in Harrison, New York.

The Company was incorporated on August 18, 2021, by and at the direction of the board of directors of the Bank, for the sole purpose of acquiring the Bank and serving as the Bank's parent bank holding company pursuant to a corporate reorganization transaction (the "Reorganization"). On September 21, 2021, the Bank entered into an Agreement and Plan of Reorganization (the "Reorganization Agreement") with the Company and Freedom Merger Sub, Inc. (the "Merger Sub"), a wholly-owned subsidiary of the Company, pursuant to which the Reorganization would be effected. Effective at 12:01 a.m. (the "Effective Time"), under the terms of the Reorganization Agreement and pursuant to Section 13.1-719.1 of the Virginia Stock Corporation Act (the "VSCA"), the Bank merged with the Merger Sub and survived such merger as a wholly-owned subsidiary of the Company. Prior to the Effective Time, the Company had no material assets and had not conducted any business or operations except for activities related to the Company's organization and the Reorganization.

At the Effective Time, under the terms of the Reorganization Agreement and pursuant to Section 13.1-719.1 of the VSCA, each of the outstanding shares of the Bank's common stock, par value $0.01 per share, formerly held by its shareholders was converted and exchanged for one newly issued share of the Company's common stock, par value $0.01 per share, and the Bank became the Company's wholly-owned subsidiary. The shares of the Company's common stock issued to the Bank's shareholders were issued without registration under the Securities Act of 1933, as amended (the "Act"), pursuant to the exemption from registration provided by Section 3(a)(12) of the Act. Pursuant to Section 13.1-719.1 of the VSCA, the Reorganization did not require approval of the Bank's shareholders.

In the Reorganization, each shareholder of the Bank received securities of the same class, having substantially the same designations, rights, powers, preferences, qualifications, limitations and restrictions, as those that the shareholder held in the Bank, and the Company's current shareholders own the same percentages of its common stock as they previously owned of the Bank's common stock.

Prior to the Effective Time, the Bank's common stock was registered with OTCQX. Following the Reorganization, there were no changes to reporting requirements and/or the ticker symbol under which the Company stock trades.

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of Freedom Financial Holdings, Inc. and its wholly-owned subsidiary. All significant intercompany transactions have been eliminated in consolidation.

RECLASSIFICATION

Amounts in prior years' period financial statements and footnotes are reclassified whenever necessary to conform to the current year's presentation. Reclassifications had no material effect on prior year net income or shareholders' equity.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates affecting the Company's financial statements relate to the allowance for loan losses, the valuation of the deferred tax assets and other-than-temporary impairment assessments for investment securities. Actual results could differ from those 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, and 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 into one reporting operating segment.

CASH AND CASH EQUIVALENTS

The Company maintains interest bearing deposits with other institutions. Interest bearing deposits are valued at cost. Interest income is recorded as interest on deposits with banks.

INVESTMENT SECURITIES

Investment securities are classified as either held-to-maturity, available-for-sale or trading securities. In determining such classification, securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. Securities classified as available-for-sale are carried at estimated fair value with unrealized gains and losses included in stockholders' equity on an after-tax basis. Trading securities are carried at estimated fair value with unrealized gains and losses included in non-interest income.

The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method through the earliest of the call date, where applicable, or the investment's maturity date. Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

RESTRICTED STOCK INVESTMENTS

Federal Reserve Bank stock, Federal Home Loan Bank (FHLB) stock, and Community Bankers Bank stock are considered restricted investment securities, are carried at cost and are evaluated annually for impairment. The stock is required in order to be a member or for borrowings.

LOANS HELD-FOR-SALE

Loans held for sale consist primarily of residential mortgage loans, which are secured by one-to-four family residential real estate. Loans held for sale are carried at the lower of aggregate cost, net of purchase discounts or premiums, deferred fees, and deferred origination costs, or fair value. The Company sells its mortgage loans forward to investors and the estimated fair value is largely dependent upon the terms of these outstanding loan purchase commitments, as well as movement in market interest rates.

LOANS AND LOAN FEES

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, generally are stated at the principal amount outstanding, less the allowance for loan losses and net deferred loan fees. Interest on loans is generally computed using the simple interest method.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on non-accrual status.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent, unless the credit is well secured and in process of collection. Other personal loans are typically placed on nonaccrual status or charged off no later than 180 days past due. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

INTEREST RATE LOCK COMMITMENT

The Company enters into interest rate lock commitments (IRLCs) to originate residential mortgage loans for sale in the secondary market whereby the interest rate on the loan is determined prior to funding. The period of time between issuance of a rate lock commitment and closing and sale of the loan generally ranges from 15 to 75 days. The IRLCs with customers are considered derivative financial instruments. The Company recognizes derivative financial instruments at fair value as either an other asset or other liability in the balance sheet. Because the IRLCs are not designated as hedging instruments, adjustments to reflect unrealized gains and losses resulting from changes in fair value of the IRLCs are reported as noninterest income.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb probable losses inherent in the loan portfolio. The amount of the allowance is based on management's ongoing evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. The allowance consists of two basic components: the specific allowance and the pooled allowance.

The specific allowance component is used to individually establish an allowance for loans considered impaired. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due, according to the contractual terms of the loan agreement. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Past due status is determined based on contractual terms.

The general component covers loans that are collectively evaluated for impairment. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not included in separately identified impairment disclosures. The general component is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent five years. The actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: delinquencies, loss history, trends in volume and terms of loans, effects of changes in lending policy, the experience and depth of management, national and local economic trends, concentrations of credit, results of the loan review system and the effect of external factors (i.e., competition and regulatory requirements).

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Leasehold improvements are amortized over the shorter of the asset life or lease term using the straight-line method. Furniture and equipment are depreciated over estimated useful lives of three to seven years using the straight-line method. The Company amortizes software over three years using the straight-line method.

Expenditures for maintenance, repairs and improvements under $1,000 are charged to earnings. When premises or equipment are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and the effect is reflected in current earnings.

SERVICING RIGHTS

When loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Servicing rights are evaluated for impairment based upon the fair value of the rights are compared to the carrying amount.

Servicing fee income, which is reported on the income statement as Loan Servicing Income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. Servicing fees totaled $218,190 and $192,413 for the years ended December 31, 2022 and 2021, respectively.

OTHER REAL ESTATE OWNED

Real estate properties acquired through or in lieu of loan foreclosures are initially recorded at the fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write downs are recorded as a charge to non-interest expense, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. The Company had no other real estate owned at December 31, 2022 and 2021.

BANK-OWNED LIFE INSURANCE

The Company has entered into bank-owned single premium life insurance policies that are maintained by three counterparties. Under the bank-owned life insurance policies, executives or other key individuals are the insured and the Company is the owner and beneficiary of each policy. As such, the insured has no claim to either the insurance policy, cash value, or a portion of the policy's death proceeds. The increase in the cash surrender value over time is recorded as other income. The Company monitors the financial strength and condition of both counterparties.

DERIVATIVES

At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and belief as to the likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("stand-alone derivative"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings as fair value changes. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified to earnings in the same periods during which the hedged transaction affects earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings, as non-interest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement the same as cash flows of the items being hedged.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. The documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

The Company is exposed to losses if a counterparty fails to make its payments under a contract in which the Company is in the net receiving position. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements. All the contracts to which the Company is a party settle monthly or quarterly. In addition, the Company obtains collateral above certain thresholds of the fair value of its hedges for each counterparty based upon their credit standing and the Company has netting agreements with the dealers with which it does business.

STOCKHOLDERS' EQUITY

The rights, preferences, and privileges of the voting and non-voting common stock shall be in all respects and for all purposes identical except with respect to voting power. The holders of voting common stock shall exclusively possess all voting power and each share is entitled to one vote. The holders of non-voting common stock have no voting power. Holders of common stock are entitled to receive an equal amount of dividends per share when declared from time to time by the Board of Directors.

Shares of non-voting common stock may be converted into shares of voting common stock at the option of the holder in accordance with the provisions outlined in the amended articles of incorporation. Provisions include that such conversion must (a) be permitted by guidance and policies established by the Board of Governors of the Federal Reserve System as applicable and in effect at the time of transfer and (b) would not cause or result in the holder of such non-voting common stock, together with and other holder (a "Related Holder") of the Corporation's capital stock, to own, control, or have the power to vote 10% or more of the voting common stock outstanding at any time without giving effect to any reductions in the percentage of voting common stock owned, controlled or held by such holder and any Related Holder so resulting from transfers of the voting common stock to third parties.

Shares of preferred stock may be issued in one or more series. Authority is expressly vested in the Board of Directors to cause the preferred stock to be issued in one or more series and, to the fullest extent permitted by law, to fix and determine the preferences, limitations and relative rights of the shares of any series of preferred stock so established and provide for the issuance of shares thereof.

Comprehensive income represents all changes in equity that result from recognized transactions and other economic events of the period. Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under accounting principles generally accepted in the United States of America are included in comprehensive income but excluded from net income, such as unrealized gains and losses on certain investments in debt securities and qualifying derivative investments.

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 bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

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 recognizes interest and/or penalties related to income tax matters in other operating expense.

EARNINGS PER SHARE (EPS)

Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Potential common shares that may be issued by the Company relate solely to stock options outstanding during the period and are determined using the treasury stock method.

The following shows the weighted average number of shares used in computing earnings per common share and the effect on the weighted average number of shares of potentially dilutive common stock.

	2022	2021
Average number of common shares outstanding	7,285,726	7,316,505
Effect of dilutive options	21,933	47,031
Average number of common shares outstanding used to calculate diluted earnings per common share	7,307,659	7,363,536

There were no antidilutive options for the year ended December 31, 2022 and 2021. Non-vested restricted common shares, which carry all rights and privileges of a common share with respect to the stock, including the right to vote, were included in the basic and diluted per common share calculations.

STOCK-BASED COMPENSATION

The Company recognizes the cost of employee services received in exchange for an award of equity instruments in the financial statements over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). The Company also measures the cost of employee services received in exchange for an award based on the grant-date fair value of the award.

STATEMENTS OF CASH FLOWS

Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions and interest bearing deposits in other financial institutions. The Freedom Bank of Virginia periodically has bank deposits, including short-term investments, in excess of Federally insured limits.

COMPREHENSIVE INCOME/(LOSS)

Comprehensive income/(loss) consists of net income and other comprehensive income/(loss). Other comprehensive income/(loss) includes unrealized gains and losses on securities available for sale and unrealized gains and losses on cash flow hedges which are recognized as separate components of equity.

COMMITMENTS AND CONTINGENT LIABILITIES

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 financial statements.

In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

REVENUE RECOGNITION

Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"), provides guidance for reporting revenue from the entity's contracts to provide goods or services to customers. The guidance requires recognition of revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of revenue-generating transactions are excluded from the scope of ASC 606, including revenue generated from financial instruments, such as securities and loans. Revenue-generating transactions that are within the scope of ASC 606, classified within non-interest income, are described as follows:

- Deposit account service charges - represent service fees for monthly activity and maintenance on customer accounts. Attributes can be transaction-based, item-based or time-based. Revenue is recognized when our performance obligation is completed which is generally monthly for maintenance services or when a transaction is processed. Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Other non-interest income primarily includes income on bank owned life insurance contracts, loan swap fee income, letter of credit fees and gains on sale of loans held for sale, none of which are within the scope of ASC 606.

RECENT ACCOUNTING PRONOUNCEMENTS

ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended*

The FASB issued topic 326 to replace the incurred loss model for loans and other financial assets with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables and held-to maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in certain leases recognized by a lessor. In addition., the amendments in Topic 326 require credit losses on available-for-sale to be presented as a valuation allowance rather than as a direct write-down on. The CECL standard became effective for the Company on January 1, 2023. Management continues to refine assumptions, analyze forecast scenarios, and stress test the volatility of the model. Additionally, management is finalizing various accounting processes, and related controls. The ongoing impact of adopting CECL are dependent on various factors, including credit quality, macroeconomic forecasts and conditions, composition of the loan and securities portfolios, and other management judgments. Interagency guidance issued in December 2018 allows for a three-year phase-in of the cumulative-effect adjustment for regulatory capital reporting. The Company does not anticipate deferring the day one impact of adoption over a three-year period.

ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

On March 12, 2020, the FASB issued Updated 2020-04 to ease the potential burden in accounting for reference rate reform. The amendments in Update 2020-04 are elective and apply to all entities that have contracts, hedging instruments, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The new guidance provides the following options expedients that reduce costs and complexity of accounting for reference rate reform:

- Simplify accounting analysis for contract modifications.
- Allow hedging relationships to continue without de-designation if there are qualifying changes in the critical terms of an existing hedging relationship due to reference rate reform.
- Allow a change in the systematic and rational method used to recognize in earnings the components excluded from the assessment of hedge effectiveness.
- Allow a change in the designated benchmark interest rate to a different eligible benchmark interest rate in a fair value hedging relationship.
- Allow the shortcut method for a fair value hedging relationship to continue for the remainder of the hedging relationship.
- Simplify the assessment of hedge effectiveness and provide temporary optional expedients for cash flow hedging relationships affected by reference rate reform.
- Allow a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform and are classified as held to maturity before January 1, 2020.

In January 2021, the FASB issued ASU 2021-01 which clarified that all derivative instruments affected by the changes to interest rates used for discounting, margining or contract price alignment, regardless of whether they reference LIBOR or another rate expected to be discounted as a result of reference rate reform, an entity may apply certain practical expedients in Topic 848.

The amendments are effective for all entities from the beginning of an interim period that includes the issuance date of the ASU. An entity may elect to apply the amendments prospectively through December 31, 2022.

The adoption of this standard is not expected to have material effect on the Company's operating results or financial condition.

2. Restriction of Cash and Due from Banks

The Company is required to maintain reserve funds in cash or on deposit with the Federal Reserve. The required reserve at December 31, 2022 and 2021 was $0. Additionally, the Company is required to pledge cash as collateral for its derivative positions with its counterparty. The required reserve at December 31, 2022 and 2021 was $0.

3. Investment Securities

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity at December 31, 2022 and 2021 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

DEC. 31, 2022

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Available-for-sale				
Corporate notes	$ 40,939,981	$ 28,982	$ (4,979,073)	$ 35,989,890
Agency notes	1,000,000	-	(34,633)	965,367
Mortgage-backed securities	66,301,194	-	(8,995,673)	57,305,521
Municipal securities - tax exempt	11,294,174	-	(1,503,101)	9,791,073
Municipal securities - taxable	25,100,769	-	(5,234,667)	19,866,102
SBA loan pools	6,491,553	18,835	(90,987)	6,419,401
Asset-backed securities	10,111,316	72,924	(292,766)	9,891,474
Private-label mortgage-backed securities	18,758,417	-	(2,963,754)	15,794,663
Private-label commercial mortgage-backed securities	4,847,507	-	(113,798)	4,733,709
Private-label collateralized loan obligations	21,220,233	13,743	(433,139)	20,800,837
Total Available-for-sale	**$ 206,065,144**	**$ 134,484**	**$ (24,641,591)**	**$ 181,558,037**

	AMORTIZED COST	GROSS UNRECOGNIZED GAINS	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity				
Corporate notes	$ 4,000,000	$ -	$ (528,960)	$ 3,471,040
Municipal securities - tax exempt	11,242,783	4,028	(1,412,437)	9,834,374
Municipal securities - taxable	1,853,227	-	(523,839)	1,329,388
Total Held-to-maturity	**$ 17,096,010**	**$ 4,028**	**$ (2,465,236)**	**$ 14,634,802**

DEC. 31, 2021

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Available-for-sale				
Corporate notes	$ 34,398,302	$ 601,929	$ (752,980)	$ 34,247,251
Mortgage-backed securities	61,976,349	513,544	(569,089)	61,920,804
Municipal securities - tax exempt	11,355,094	344,748	(16,702)	11,683,140
Municipal securities - taxable	25,200,345	296,819	(261,364)	25,235,800
SBA loan pools	6,748,930	23,342	(85,073)	6,687,199
Asset-backed securities	6,648,047	270,828	(11,772)	6,907,103
Private-label mortgage-backed securities	18,965,820	2,925	(125,488)	18,843,257
Private-label collateralized loan obligations	6,009,823	-	(1,983)	6,007,840
Total Available-for-sale	**$ 171,302,710**	**$2,054,135**	**$ (1,824,451)**	**$ 171,532,394**

	AMORTIZED COST	GROSS UNRECOGNIZED GAINS	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity				
Corporate notes	$ 4,000,000	$ -	$ -	$ 4,000,000
Municipal securities - tax exempt	11,994,887	137,777	(30,914)	12,101,750
Municipal securities - taxable	2,017,987	-	(123,963)	1,894,024
Total Held-to-maturity	**$ 18,012,874**	**$ 137,777**	**$ (154,877)**	**$ 17,995,774**

The amortized cost and fair value of securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately:

	AVAILABLE-FOR-SALE		HELD-TO-MATURITY	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Amounts maturing in				
1 year or less	$ 774,000	$ 773,997	$ -	$ -
After 1 year - 5 years	11,021,659	10,439,366	952,422	869,763
After 5 years - 10 years	49,613,613	44,526,264	4,000,000	3,471,040
After 10 years	54,748,754	47,984,517	12,143,588	10,293,999
	116,158,026	103,724,144	17,096,010	14,634,802
Mortgage-backed securities	89,907,118	77,833,893	-	-
	$ 206,065,144	$181,558,037	$ 17,096,010	$ 14,634,802

Securities pledged at year-end 2022 and 2021 had a carrying amount of $76,304,307 and $0. All securities were pledged to the Federal Home Loan Bank (FHLB) to secure contingent liquidity.

Information pertaining to securities with gross unrealized losses at December 31, 2022, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE
DEC. 31, 2022						
Available-for-sale						
Corporate notes	$ 1,211,963	$19,765,814	$ 3,767,110	$14,695,095	$ 4,979,073	$34,460,909
Agency notes	34,633	965,367	-	-	34,633	965,367
Mortgage-backed securities	2,738,434	32,460,618	6,257,239	24,847,600	8,995,673	57,308,218
Municipal securities - tax exempt	653,145	5,801,833	849,956	3,989,240	1,503,101	9,791,073
Municipal securities - taxable	657,339	4,011,934	4,577,328	15,854,168	5,234,667	19,866,102
SBA loan pools	18,150	2,287,944	72,837	2,807,755	90,987	5,095,699
Asset-backed securities	108,602	4,579,351	184,164	1,824,356	292,766	6,403,707
Private-label mortgage-backed securities	242,088	2,344,048	2,721,666	13,450,615	2,963,754	15,794,663
Private-label commercial mortgage-backed securities	113,798	4,733,709	-	-	113,798	4,733,709
Private-label collateralized loan obligations	204,006	11,091,217	229,133	5,777,900	433,139	16,869,117
TOTALS	$ 5,982,158	$ 88,041,835	$ 18,659,433	$ 83,246,729	$ 24,641,591	$171,288,564
	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity						
Corporate notes	$ 528,960	$ 3,471,040	$ -	$ -	$ 528,960	$ 3,471,040
Municipal securities - tax exempt	-	-	523,839	1,329,388	523,839	1,329,388
Municipal securities - taxable	-	-	1,412,437	5,489,750	1,412,437	5,489,750
	$ 528,960	$ 3,471,040	$ 1,936,276	$ 6,819,138	$ 2,465,236	$10,290,178

	LESS THAN 12 MONTHS		OVER 12 MONTHS		TOTAL	
	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE
DEC. 31, 2021						
Available-for-sale						
Corporate notes	$ 735,480	$ 17,724,598	$ 17,500	$ 482,500	$ 752,980	$18,207,098
Mortgage-backed securities	467,468	31,363,925	101,621	3,228,472	569,089	34,592,397
Municipal securities - tax exempt	16,702	2,339,460	-	-	16,702	2,339,460
Municipal securities - taxable	252,622	10,797,126	8,742	246,258	261,364	11,043,384
SBA loan pools	30,426	2,892,392	54,647	1,677,044	85,073	4,569,436
Asset-backed securities	11,772	2,000,507	-	-	11,772	2,000,507
Private-label mortgage-backed securities	125,488	15,896,175	-	-	125,488	15,896,175
Private-label collateralized loan obligations	1,983	4,007,840	-	-	1,983	4,007,840
TOTALS	**$ 1,641,941**	**$ 87,022,023**	**$ 182,510**	**$ 5,634,274**	**$1,824,451**	**$92,656,297**
	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity						
Municipal securities - tax exempt	$ 30,914	$ 1,216,693	$ -	$ -	$ 30,914	$ 1,216,693
Municipal securities - taxable	-	-	123,963	1,894,024	123,963	1,894,024
	$ 30,914	**$ 1,216,693**	**$ 123,963**	**$ 1,894,024**	**$ 154,877**	**$ 3,110,717**

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2022, 128 debt securities with an unrealized loss for less than one year and 117 debt securities with an unrealized loss for greater than one year depreciated approximately 12.99 percent from the Company's amortized cost basis. 103 of the securities are secured by Federal agency mortgage backed securities (MBS) or U.S. Treasury obligations and direct obligations of U.S. Government agencies, twenty-two are tax-exempt municipal securities, thirty-three are taxable municipal securities, fourteen are Small Business Administration (SBA) securities, thirty-four corporate bonds, nineteen private-label MBS/CMBS, seven Asset Based Security (ABS), and thirteen private-label Collateralized Loan Obligations (CLO). These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the Federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, management feels that the unrealized losses on the securities are not deemed to be other-than-temporary.

The proceeds from sales and calls of securities and the associated gains and losses are listed below.

	2022	2021
Proceeds	$ 2,004,021	$ 1,437,181
Gross gains	20,503	19,199
Gross losses	1,241	13,493

The tax provision related to these net realized gains and losses was $4,032 and $1,337 for the years ended December 31, 2022 and 2021, respectively.

Restricted stock investments consist of the following at December 31:

	2022	2021
Federal Reserve Bank stock	$ 2,296,800	$ 1,782,750
Federal Home Loan Bank stock	1,526,400	1,472,500
Community Bankers Bank stock	66,000	66,000
TOTALS	$ 3,889,200	$ 3,321,250

4. Loans Receivable

Loans receivable include the following at December 31:

	2022	2021
Commercial and industrial	$ 159,581,315	$ 131,697,086
Real estate - commercial	382,308,395	350,262,626
Real estate - construction	42,360,588	33,462,692
Real estate - residential	85,988,119	54,346,882
Consumer and other	30,132,305	33,682,890
Loans, gross	700,370,722	603,452,176
Deferred loan fees, net	(367,714)	(1,082,855)
Loans receivable	700,003,008	602,369,321
Allowance for loan losses	(7,614,120)	(6,486,120)
Loans, net	$ 692,388,888	$ 595,883,201

Commercial and industrial loans: The commercial lending portfolio consists primarily of commercial and industrial loans for the financing of accounts receivable, property, plant and equipment. Commercial loans typically are made on the basis of the borrower's ability to repay the loan from the cash flow from its business and are secured by business assets, such as commercial real estate, accounts receivable, equipment and inventory, the values of which may fluctuate over time and generally cannot be appraised with as much precision as residential real estate. To manage these risks, the Company's policy is to secure commercial loans originated with both the assets of the business, which are subject to the risks described above, and other additional collateral and guarantees that may be available.

Real estate - commercial loans: Commercial real estate loans are primarily secured by various types of commercial real estate, including office, retail, warehouse, industrial and other non-residential types of properties and are made to the owners and/or occupiers of such property. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of a business or real estate project, and thus may be subject to adverse conditions in the commercial real estate market or in the general economy. The Company generally requires personal guarantees or endorsements with respect to these loans and loan-to-value ratios for commercial real estate loans, which generally do not exceed 80 percent.

Real estate - construction loans: This portfolio consists of commercial and residential construction loans secured by real estate. The loans are secured by property and generally made with a loan-to-as-built and loan-to-as-completed value not exceeding 75 percent.

Real estate - residential and home equity loans: This portfolio consists of residential first and second mortgage loans and home equity lines of credit and term loans secured primarily by the residences of borrowers. Residential mortgage loans and home equity lines of credit secured by owner-occupied property generally are made with a loan-to-value ratio of up to 80 percent.

Consumer loans: This portfolio consists of car loans, boat loans, loans secured by stock and unsecured loans. The consumer loans are generally made to borrowers with a minimum credit score of 700 and a maximum debt to income ratio of 40%.

An analysis of the allowance for possible loan losses based on type or loan segment, which identifies certain loans that are evaluated for individual or collective impairment, as of December 31 is as follows:

YEAR 2022	COMMERCIAL & INDUSTRIAL	REAL ESTATE - COMMERCIAL	REAL ESTATE - CONSTRUCTION	REAL ESTATE - RESIDENTIAL	CONSUMER	TOTAL
Allowance for Loan Losses						
Beginning balance	$ 852,510	$ 4,443,641	$ 458,819	$ 390,928	$ 340,222	$ 6,486,120
Charge-offs	-	-	-	-	(189,910)	(189,910)
Recoveries	-	-	-	-	69,910	69,910
Provision	570,703	73,996	76,186	301,179	225,936	1,248,000
Ending Balance	$ 1,423,213	$ 4,517,637	$ 535,005	$ 692,107	$ 446,158	$ 7,614,120
Individually evaluated for impairment	-	-	-	-	-	-
Collectively evaluated for impairment	1,423,213	4,517,637	535,005	692,107	446,158	7,614,120
Loans Receivable						
Ending Balance	$159,581,315	$382,308,395	$ 42,360,588	$ 85,988,119	$ 30,132,305	$700,370,722
Individually evaluated for impairment	$ 5,892,514	$ 10,198,142	$ -	$ -	$ -	$ 16,090,656
Collectively evaluated for impairment	153,688,801	372,110,253	42,360,588	85,988,119	30,132,305	684,280,066

YEAR 2021	COMMERCIAL & INDUSTRIAL	REAL ESTATE - COMMERCIAL	REAL ESTATE - CONSTRUCTION	REAL ESTATE - RESIDENTIAL	CONSUMER	TOTAL
Allowance for Loan Losses						
Beginning balance	$ 850,858	$ 3,903,438	$ 219,587	$ 388,518	$ 92,524	$ 5,454,925
Charge-offs	-	-	-	-	-	-
Recoveries	166,007	-	-	1,500	24,688	192,195
Provision	(164,355)	540,203	239,232	910	223,010	839,000
Ending Balance	$ 852,510	$ 4,443,641	$ 458,819	$ 390,928	$ 340,222	$ 6,486,120
Individually evaluated for impairment	-	-	-	-	-	-
Collectively evaluated for impairment	852,510	4,443,641	458,819	390,928	340,222	6,486,120
Loans Receivable						
Ending Balance	$131,697,086	$350,262,626	$ 33,462,692	$ 54,346,882	$ 33,682,890	$603,452,176
Individually evaluated for impairment	$ 1,620,908	$ 13,500,870	$ -	$ 816,021	$ -	$ 15,937,799
Collectively evaluated for impairment	130,076,178	336,761,756	33,462,692	53,530,861	33,682,890	587,514,377

An analysis of non-accrual and past due loans is as follows at December 31:

YEAR 2022	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE	CURRENT	TOTAL LOANS RECEIVABLE	NONACCRUAL LOANS
Commercial and industrial	$ -	$ -	$1,282,596	$1,282,596	$158,298,719	$159,581,315	$ 1,282,596
Real estate - commercial	-	-	7,355,963	7,355,963	374,952,432	382,308,395	7,355,963
Real estate - construction	-	-	-	-	42,360,588	42,360,588	-
Real estate - residential	668,619	-	-	668,619	85,319,500	85,988,119	-
Consumer	-	-	-	-	30,132,305	30,132,305	-
TOTALS	**$ 668,619**	**$ -**	**$8,638,559**	**$9,307,178**	**$691,063,544**	**$700,370,722**	**$ 8,638,559**

YEAR 2021	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE	CURRENT	TOTAL LOANS RECEIVABLE	NONACCRUAL LOANS
Commercial and industrial	$ -	$ -	$1,066,739	$1,066,739	$130,630,347	$131,697,086	$ 1,048,101
Real estate - commercial	856,188	916,832	1,301,732	3,074,752	347,187,874	350,262,626	7,487,957
Real estate - construction	-	-	-	-	33,462,692	33,462,692	-
Real estate - residential	-	-	-	-	54,346,882	54,346,882	-
Consumer	-	-	-	-	33,682,890	33,682,890	-
TOTALS	**$ 856,188**	**$ 916,832**	**$2,368,471**	**$4,141,491**	**$599,310,685**	**$603,452,176**	**$ 8,536,058**

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. An analysis of impaired loans based on loan segment is as follows at December 31:

YEAR 2022	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE FOR LOAN LOSSES	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
With no related allowance recorded:					
Commercial and industrial	$ 5,892,514	$ 5,892,514	$ -	$ 6,293,628	$ 317,958
Real estate - commercial	10,198,142	10,198,142	-	10,343,057	175,403
Real estate - construction	-	-	-	-	-
Real estate - residential	-	-	-	-	-
Consumer	-	-	-	-	-
With an allowance recorded:					
Commercial and industrial	-	-	-	-	-
Real estate - commercial	-	-	-	-	-
Real estate - construction	-	-	-	-	-
Real estate - residential	-	-	-	-	-
Consumer	-	-	-	-	-
TOTAL					
Commercial and Industrial	5,892,514	5,892,514	-	6,293,628	317,958
Real Estate - Commercial	10,198,142	10,198,142	-	10,343,057	175,403
Real Estate - Construction	-	-	-	-	-
Real Estate - Residential	-	-	-	-	-
Consumer	-	-	-	-	-
	$ 16,090,656	**$ 16,090,656**	**$ -**	**$ 16,636,685**	**$ 493,361**

YEAR 2021	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE FOR LOAN LOSSES	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
With no related allowance recorded:					
Commercial and industrial	$ 1,620,908	$ 1,620,908	$ -	$ 1,907,722	$ 89,903
Real estate - commercial	13,500,870	13,586,522	-	13,252,413	757,027
Real estate - construction	-	-	-	-	-
Real estate - residential	816,021	816,021	-	876,117	52,617
Consumer	-	-	-	-	-
With an allowance recorded:					
Commercial and industrial	-	-	-	-	-
Real estate - commercial	-	-	-	-	-
Real estate - construction	-	-	-	-	-
Real estate - residential	-	-	-	-	-
Consumer	-	-	-	-	-
TOTAL					
Commercial and Industrial	1,620,908	1,620,908	-	1,907,722	89,903
Real Estate - Commercial	13,500,870	13,586,522	-	13,252,413	757,027
Real Estate - Construction	-	-	-	-	-
Real Estate - Residential	816,021	816,021	-	876,117	52,617
Consumer	-	-	-	-	-
	$ 15,937,799	$ 16,023,451	$ -	$ 16,036,252	$ 899,547

Cash basis income recognized approximates interest income recognized as of December 31, 2022 and 2021. No additional funds are committed to be advanced in connection with the impaired loans.

CREDIT QUALITY INDICATORS

One of the most significant factors in assessing the Company's loan portfolio is the risk rating. The Company uses the following risk ratings to manage the credit quality of its loan portfolio: pass, special mention, substandard, doubtful and loss. Special mention loans are those loans that have potential weakness that deserves management's close attention. These loans have potential weaknesses that may result in deterioration of the repayment prospects for the loan or the Company's credit position at some future date. Substandard loans are inadequately protected by current sound worth, paying capacity of the borrower, or pledged collateral. Doubtful loans have all the inherent weaknesses in the substandard classification and collection or liquidation in full is highly questionable. Loss loans are considered uncollectible and of such little value that continuance as an active asset is not warranted. All other loans not rated are considered to have a pass rating.

An analysis of the credit quality indicators is as follows at December 31:

YEAR 2022	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL
Commercial and industrial	$137,818,670	$ 15,870,131	$ 5,892,514	$ -	$ -	$159,581,315
Real estate - commercial	361,537,398	10,572,855	10,198,142	-	-	382,308,395
Real estate - construction	39,939,820	2,420,768	-	-	-	42,360,588
Real estate - residential	85,988,119	-	-	-	-	85,988,119
Consumer	30,132,305	-	-	-	-	30,132,305
TOTALS	**$655,416,312**	**$ 28,863,754**	$ 16,090,656	$ -	$ -	$700,370,722

YEAR 2021	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL
Commercial and industrial	$129,310,054	$ 752,301	$ 1,634,731	$ -	$ -	$131,697,086
Real estate - commercial	325,867,070	10,877,078	13,518,478	-	-	350,262,626
Real estate - construction	33,462,692	-	-	-	-	33,462,692
Real estate - residential	53,077,167	453,694	816,021	-	-	54,346,882
Consumer	33,682,890	-	-	-	-	33,682,890
TOTALS	**$575,399,873**	**$ 12,083,073**	$ 15,969,230	$ -	$ -	$603,452,176

TROUBLED DEBT RESTRUCTURINGS

A loan modification is classified as a troubled debt restructuring (TDR) if both of the following exist: 1) the borrower is experiencing financial difficulty, and 2) the Company has granted a concession to the borrower. The assessment of whether the above conditions exist is subjective and requires management's judgment. TDRs are typically modified through reductions in interest rates, reduction in payments, changing the payment terms or through extensions in term maturity.

As of December 31, 2022 and December 31, 2021, the Company had $0 in recorded investment in troubled debt restructurings. Additionally, no loans were classified as TDRs during the reporting periods. As such, there was no specific reserve allocated to these types of loan classifications at December 31, 2022 and December 31, 2021.

PAYCHECK PROTECTION PROGRAM

On March 27, 2020, the President signed H.R. 748, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") into law. Among other provisions, the CARES Act authorized the Paycheck Protection Program ("PPP"). The PPP provides small businesses with 500 or fewer employees with funds to pay up to eight weeks of payroll costs including benefits, interest on mortgages, rent and utilities. Funds were made available in the form of fully guaranteed 7(a) loan administered by the Small Business Administration ("SBA"), and made by approved SBA lenders. The loan amounts disbursed may be forgiven in whole or in part by the SBA. The interest rate on the PPP loans is 1% and the term varies from two to five years (loan term of five years for PPP loans originated pursuant to the Paycheck Protection Program Flexibility Act, signed into law on June 5, 2020). Additionally, the SBA pays processing fees to the lenders, which vary depending upon the loan amount.

As an approved SBA lender, the Company participated in the PPP loan program, processed and funded 512 loans with original balances of $109.60 million in the second and third quarter of 2020. As of December 31, 2022, and 2021 there were 21 and 178 PPP loans with an outstanding balance of $5.83 million and $32.36 million, respectively. These loans have $158,966 and

$873,828 in remaining net unearned fees for the years then ended. These loans are included with commercial and industrial loans and have no allowance for loan loss reserve recorded as they all carry a full faith and guarantee by the SBA.

OTHER MATTERS

Loans to principal officers, directors, and their affiliates were $6,717,583 and $6,228,202 at December 31, 2022 and 2021, respectively. New loans made to such related parties amounted to $676,338, and repayments amounted to $186,957 in 2022. There were no loans paid off during the year ended December 31, 2022 which had an outstanding balance as of December 31, 2021.

5. Premises and Equipment

Premises and equipment include the following as of December 31:

	2022	2021
Furniture and equipment	$ 1,522,155	$ 1,520,382
Leasehold improvements	1,468,327	1,465,923
Software	181,211	181,211
Total Cost	3,171,693	3,167,516
Less accumulated depreciation	(2,194,300)	(2,028,312)
NET BANK PREMISES AND EQUIPMENT	$ 977,393	$ 1,139,204

Depreciation and amortization of Company premises and equipment charged to expense amounted to $165,988 and $186,309 in 2022 and 2021, respectively.

6. Other Assets

Other Assets include the following as of December 31:

	2022	2021
Investment in limited partnership - Small Business Investment Company	$ 3,495,674	$ 1,495,674
Investment in limited partnership - Low Income Housing Investment Fund	4,341,562	3,247,613
Accounts receivable	799,470	752,113
Interest rate lock commitment	49,351	183,807
Prepaid expenses	967,851	739,704
Fair value of derivative instruments	6,065,011	1,305,527
Other assets	765,889	146,179
TOTAL	$ 16,484,808	$ 7,870,617

During the year ended December 31, 2022, the Company committed $2 million to a Small Business Investment Company ("SBIC") with a sector focus in Digital Media, E-commerce Platforms, Cybersecurity, and Software. The investment is scheduled to phase in via General Partner ("GP") capital calls beginning in the first quarter of 2023 and phasing in entirely over an estimated twenty-four month period. The Company has elected to account for the investment under the equity method; therefore the fair value of the Company's investment is recorded quarterly to the Statement of Operations. The Company has recognized a liability, in other liabilities, representing the unfunded portion of the partnership commitment. During the year ended December 31, 2022, the Company had not received any capital calls. There were no capital calls during the year ended December 31, 2021 as the Company was not a limited partner at that time.

During the year ended December 31, 2022, the Company committed $1.5 million to a Low Income Housing Tax Credit ("LIHTC") investment. The partnership was formed to pursue and make investments in multifamily rental apartment complexes rented, in whole or in part, to qualified low- and moderate-income tenants. The Company's financial investment in this limited partnership will not constitute a greater than 3% interest in the general partnership; therefore, the investment is recorded at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investments of the same issuer. The Company has recognized a liability, in other liabilities, representing the unfunded portion of the partnership commitment. During the years ended December 31, 2022, the Company had received and paid capital calls for $22,695. There were no capital calls during the year ended December 31, 2021 as the Company was not a limited partner at that time.

7. Deposits

The following are time deposits maturing in years ending December 31:

2023	$ 205,661,692
2024	28,002,725
2025	4,923,429
2026	1,480,304
2027	5,731,444
THEREAFTER	40,454
TOTAL	$ 245,840,048

Time deposits in denominations that meet or exceed the FDIC minimum limit of $250,000 or more totaled $46,752,857 and $58,971,179 at December 31, 2022 and 2021, respectively.

The Company held related party deposits of $13,520,936 and $5,521,014 at December 31, 2022 and 2021, respectively.

8. Borrowings and Advances

The Company's borrowings from the Federal Home Loan Bank of Atlanta (FHLB) were $25.0 million and $29.04 million at December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the weighted average rates on FHLB advances were 3.01% and 0.67%, respectively. These advances were secured by a blanket collateral agreement with the FHLB pledging the Company's portfolio of residential first mortgage loans with a collateral value of $147.6 million and $93.5 million, respectively.

FHLB advances are subject to prepayment penalties. During the year ended December 31, 2022 and 2021, the Company prepaid no FHLB advances.

Callable advances are callable at the option of the FHLB. If an advance is called, the Company has the option to pay off the advance without penalty or re-borrow funds on different terms. The Company had $20.0 million and $0 in callable FHLB advances at December 31, 2022 and 2021.

Advances from the FHLB are summarized by year of maturity and weighted average interest rate at December 31, 2022:

	AMOUNT	WEIGHTED AVERAGE RATE
2023	$ 5,000,000	4.15%
2024	-	N/A
2025	-	N/A
2026	-	N/A
2027	-	N/A
THEREAFTER	20,000,000	2.72%
TOTAL	$ 25,000,000	

The Company has utilized the Federal Reserve Board's ("FRB") Paycheck Protection Program Liquidity Facility ("PPPLF") to provide match funding for Paycheck Protection Program ("PPP") loan origination. PPPLF advances do not have specified maturity dates; rather, they are required to be paid off at the time of the underlying PPP loan payoff. The Company's borrowings under the PPPLF were $5.83 million and $32.06 million at December 31, 2022 and 2021, respectively. The weighted average rate on PPPLF advances was 0.35% at December 31, 2022 and 2021.

9. Subordinated Notes

On November 8, 2021, the Company completed the issuance of $20.0 million in aggregate principal amount of fixed-to-floating rate subordinated notes in a private placement transaction to various accredited investors. The net proceeds of the offering are intended to support growth and be used for other general business purposes. The notes have a maturity date of December 1, 2031 and have an annual fixed interest rate of 3.50% until December 1, 2026. Thereafter, the notes will have a floating interest rate is indexed to the Secured Overnight Financing Rate ("SOFR") (computed on the basis of a 360-day year of twelve 30-day months) from and including December 1, 2026 to the maturity date or any early redemption date. Interest will be paid semi-annually, in arrears, on June 1 and December 1 of each year during the time that the notes remain outstanding through the fixed interest rate period or earlier redemption date. Interest is to be paid quarterly, on March 1, June 1, September 1, and December 1 of each year, during the time in which the interest rate is floating. The balance of subordinated notes, net of issuance costs, is categorized as Subordinated Debt on the balance sheet and was $19,674,794 and $19,616,869 as of December 31, 2022 and 2021, respectively.

10. Other Liabilities

Other liabilities include the following as of December 31:

	2022	2021
Unfunded commitment in limited partnership - Small Business Investment Company	$ 2,369,779	$ 763,281
Unfunded commitment in limited partnership - Low Income Housing Investment Fund	2,553,057	2,269,732
Accrued expenses	2,023,945	2,620,438
Automated Clearing House (ACH) transactions pending	375,134	199,859
Accounts payable	100,619	188,108
Fair value of derivative instruments	3,685,744	710,815
Other liabilities	1,952,547	241,622
TOTAL	$ 13,060,825	$ 6,993,855

11. Income Taxes

Year-end deferred tax assets and liabilities were due to the following:

	2022	2021
Deferred Tax Assets		
Allowance for loan losses	$ 1,694,062	$ 1,409,601
Unearned loan fees and costs, net	46,633	38,145
Accrued compensation	317,100	437,358
Non-accrual loan interest	-	19,337
Unrealized losses on securities	5,146,493	-
Restricted stock	79,349	75,818
Lease liability	391,182	593,016
Other	6,605	19,777
	7,681,424	2,593,052
Deferred Tax Liabilities		
Depreciation	177,022	181,713
Unrealized gains on securities	-	48,233
Unrealized gains on cash flow hedges	499,646	124,890
Right-of-use asset	363,586	567,155
Interest rate lock	10,037	39,946
Other	1,511	-
	1,051,802	961,937
NET DEFERRED TAX ASSET	$ 6,629,622	$ 1,631,115

Income tax expense was the following as of December 31:

	2022	2021
Current tax expense		
Federal	$ 2,691,951	$ 2,678,042
State	177,948	121,530
Deferred tax expense (benefit)		
Federal	(162,056)	(259,820)
State	(18,255)	(12,206)
	$ 2,689,588	$ 2,527,546

Effective tax rates differ from the federal statutory rate of 21% applied to income before income tax expense due to the following:

	2022	2021
Federal statutory rate times financial statement income	$ 2,783,163	$ 2,783,657
Effect of:		
State income taxes, net of federal benefit	126,157	86,639
Tax-exempt interest income, net of disallowance	(100,299)	(102,674)
Earnings from bank-owned life insurance	(140,510)	(114,380)
Unrecognized tax benefits, net	(31,017)	(31,380)
Stock compensation	(111,036)	(65,354)
Low-income housing investment benefit	(100,272)	(60,911)
Other	263,402	31,949
	$ 2,689,588	$ 2,527,546

A reconciliation of the beginning and ending amount of unrecognized tax benefits are as follows:

	2022	2021
Balance, beginning of year	$ 36,036	$ 69,605
Increases related to prior tax positions	-	-
Decreases related to prior tax positions	-	-
Increases related to current tax positions	-	-
Settlements	-	-
Lapse of statute	(36,036)	(33,569)
Balance, end of year	$ -	$ 36,036

The Company's policy is to recognize interest and penalties related to unrecognized tax benefits in income tax expense. The accrual for interest and penalties was not material for all years presented.

The Company is subject to income tax by federal and state taxing authorities in which the Company does business in. The Company is subject to examination for the tax periods ending after December 31, 2018.

12. Capital Requirements

The Bank is subject to various regulatory capital requirements administered by Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Bank is required to maintain (i) a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% CET1 ratio, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7.0%); (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio, effectively resulting in a minimum Tier 1 capital ratio of 8.5%); (iii) a minimum ratio of total capital (that is, Tier 1 plus Tier 2 capital) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio, effectively resulting in a minimum total capital ratio of 10.5%); and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to adjusted average quarterly assets.

As of December 31, 2021, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, CET1 and Tier 1 leverage ratios as disclosed in the following table. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

The Bank and Holding Company's actual capital amounts and ratios as of December 31, 2022 and 2021 are as follows:

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		MINIMUM TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
DEC. 31, 2022						
Total capital (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$118,841,244	14.28%	$ 87,414,157	10.50%	N/A	N/A
The Freedom Bank of Virginia	$118,916,163	14.28%	$ 87,414,157	10.50%	$ 83,251,579	10.00%
Tier 1 capital (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$ 74,946,130	9.00%	$ 70,763,842	8.50%	N/A	N/A
The Freedom Bank of Virginia	$111,302,044	13.37%	$ 70,763,842	8.50%	$ 66,601,263	8.00%
Common Equity Tier 1 (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$ 92,427,124	11.10%	$ 58,276,105	7.00%	N/A	N/A
The Freedom Bank of Virginia	$111,302,044	13.37%	$ 58,276,105	7.00%	$ 54,113,526	6.50%
Tier 1 capital (to adjusted average assets)						
Freedom Finanical Holdings, Inc.	$ 92,427,124	9.40%	$ 39,325,794	4.00%	N/A	N/A
The Freedom Bank of Virginia	$111,302,044	11.32%	$ 39,314,558	4.00%	$ 49,143,198	5.00%

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		MINIMUM TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
DEC. 31, 2021						
Total capital (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$108,793,573	15.66%	$ 72,945,150	10.50%	N/A	N/A
The Freedom Bank of Virginia	$107,139,930	15.42%	$ 72,945,150	10.50%	$ 69,471,571	10.00%
Tier 1 capital (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$ 84,158,725	12.11%	$ 59,050,835	8.50%	N/A	N/A
The Freedom Bank of Virginia	$100,653,810	14.49%	$ 59,050,835	8.50%	$ 55,577,257	8.00%
Common Equity Tier 1 (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$ 83,507,453	12.02%	$ 48,630,100	7.00%	N/A	N/A
The Freedom Bank of Virginia	$100,653,810	14.49%	$ 48,630,100	7.00%	$ 45,156,521	6.50%
Tier 1 capital (to adjusted average assets)						
Freedom Finanical Holdings, Inc.	$ 83,507,453	9.84%	$ 33,964,861	4.00%	N/A	N/A
The Freedom Bank of Virginia	$100,653,810	11.85%	$ 33,964,861	4.00%	$ 42,456,077	5.00%

The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. As of December 31, 2022, $28,656,010 of retained earnings is available to pay dividends.

13. Derivatives

The Company uses interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by parties. The amount is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Cash Flow Hedges: Interest rate swaps with notional amounts totaling $50 million and $24 million as of December 31, 2022 and 2021, respectively, were designated as cash flow hedges on certain brokered deposits and were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the swaps.

Derivatives Not Designated As Hedges: The Company also enters into interest rates swaps with its loan customers. The notional amount of interest rate swaps with its loan customers as of December 31, 2022 and 2021 were $25,189,189 and $25,932,608, respectively. The Company enters into corresponding offsetting derivatives with third parties. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes. The fair value of these derivatives were deemed immaterial at December 31, 2022.

LINE ITEM IN THE BALANCE SHEET IN WHICH THE HEDGED ITEM IS INCLUDED	CARRYING AMOUNT OF THE HEDGED LIABILITIES		CUMULATIVE AMOUNT OF FAIR VALUE HEDGING ADJUSTMENT INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED LIABILITY	
	2022	2021	2022	2021
Brokered Deposits	$ 40,000,000	$ 14,000,000	$ -	$ -
Brokered Time Deposits	$ 10,000,000	$ 10,000,000	$ -	$ -

The Company presents the net derivative position on the balance sheet in other assets/liabilities. The following table reflects the derivatives recorded on the balance sheet as of December 31:

	2022		2021	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Included in other liabilities:				
Derivatives designated as hedges:				
Interest rate swaps related to brokered deposits	$40,000,000	$ 1,486,587	$14,000,000	$ 379,789
Interest rate swaps related to brokered time deposits	10,000,000	892,680	10,000,000	214,923
TOTAL INCLUDED IN OTHER LIABILITIES	$50,000,000	$ 2,379,267	$24,000,000	$ 594,712

The Company presents the net derivative position on the balance sheet in other assets/liabilities. The following table reflects the derivatives recorded on the balance sheet as of December 31:

	2022		
	AMOUNT OF GAIN RECOGNIZED IN OCI ON DERIVATIVE	LOCATION OF GAIN (LOSS) RECLASSIFIED FROM OCI INTO INCOME	AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM OCI INTO INCOME
Interest rate contracts	$ 1,879,621	N/A	$ -
	2021		
	AMOUNT OF GAIN RECOGNIZED IN OCI ON DERIVATIVE	LOCATION OF GAIN (LOSS) RECLASSIFIED FROM OCI INTO INCOME	AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM OCI INTO INCOME
Interest rate contracts	$ 469,822	N/A	$ -

For the years ended December 31, 2022 and 2021 there was no gain or loss recognized in income on cash flow hedging relationships.

14. Stock Option & Equity Plan

In 2007, the Company established the 2007 stock option and equity plan (the Plan) for executives, other employees, officers, directors and consultants. Shares have been reserved for issuance by the Company upon the grant of stock options or restricted stock awards. Shares issued under the Plan may be granted at not less than 100 percent of the fair market value at the grant date. The authorized and granted options under the Plan are as follows at December 31, 2022:

	AUTHORIZED	GRANTED	VESTED/ CANCELLED/ FORFEITED
2007 Plan	1,075,280	895,612	336,198

The stock options shall not be exercisable more than ten years after the date such option is granted. Shares typically vest over periods ranging from one to four years. At December 31, 2022 and 2021, there was no remaining amortization expense to be recognized on outstanding stock options.

The intrinsic value of options exercised during 2022 and 2021 was $382,835 and $246,154 respectively. The weighted average remaining contractual life of options outstanding was 2.64 and 1.78 years for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 all outstanding options are fully vested. The intrinsic value of these fully vested options at December 31, 2022 was $203,460.

The following summarizes the option activity under the Plan:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
BALANCE AT JANUARY 1, 2021	115,038	$ 6.73
Grants	-	-
Exercised	(33,264)	5.97
Expired	(3,589)	6.27
Forfeited	-	-
BALANCE AT DECEMBER 31, 2021	78,185	7.07
Grants	-	-
Exercised	(45,739)	6.20
Expired	-	-
Forfeited	-	-
BALANCE AT DECEMBER 31, 2022	32,446	$ 8.30

There were no stock options granted during the years ended December 31, 2022 and 2021.

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. The fair value of the stock based payment awards is affected by the price of the stock and a number of financial assumptions and variables. These variables include the risk-free interest rate, expected dividend rate, expected stock price volatility and the expected life of the options.

The expected volatility is based on the average of the historical volatility of peer institutions and the Company. The risk-free interest rate is the implied yield available on U.S. Treasury bonds with a remaining term equal to the expected term of the options granted. The expected life is based on the average of the contracted life and vesting schedule for the options granted. The dividend yield assumption is based on expected dividend payouts of zero.

During the year ended December 31, 2022, 42,100 voting common shares of restricted stock were granted to Company employees. 32,100 shares were granted as part of a time-based restricted stock agreement with a weighted fair value of

$13.92 at the date of grant. These restricted shares cliff vest over a three year period based on their date of grant. 10,000 shares were granted as part of a performance-based restricted stock agreement with a fair value of $14.15 at the date of grant. These restricted stock shares cliff vest over a five year (i.e., five annual performance tranches) period beginning March 15, 2023.

At December 31, 2022, there was $490,331 in unrecognized compensation expense related to non-vested restricted stock awards that are expected to be recognized over a weighted average period of 3.01 years. At December 31, 2021, there was $548,584 in unrecognized compensation expense related to non-vested restricted stock awards.

The following summarizes the restricted stock activity under the Plan:

	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE
BALANCE AT JANUARY 1, 2021	100,002	$ 10.68
Grants	36,850	11.01
Vested	(46,930)	10.65
Expired	-	-
Forfeited	(3,134)	10.18
BALANCE AT DECEMBER 31, 2021	86,788	10.85
Grants	42,100	13.97
Vested	(55,819)	11.20
Expired	-	-
Forfeited	(1,000)	14.03
BALANCE AT DECEMBER 31, 2022	72,069	$ 12.36

For the years ended December 31, 2022 and 2021, the Company recognized $632,514 and $474,785 in stock-based compensation expense, respectively.

15. Operating Leases

The Company enters into leases in the normal course of business primarily for operations facilities, branch locations, and SBA/mortgage operations facilities. The Company's leases have remaining terms ranging from two months to ninety-eight months, some of which include renewal options to extend the lease for up to ten years.

The Company includes lease extensions if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. The Company has elected not to recognize leases with original lease terms of twelve months or less (short-term leases) on the Company's balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications are as follows:

	BALANCE SHEET CLASSIFICATION	DEC. 31, 2022	DEC. 31, 2021
Right-of-use assets: Operating leases	Right-of-use asset	$ 1,736,285	$ 2,704,888
Lease liabilities: Operating leases	Lease liability	$ 1,862,773	$ 2,823,885

Lease Expense

The components of total lease cost were as follows for the period ending:

	DECEMBER 31, 2022	DECEMBER 31, 2021
Operating lease cost	$ 1,024,653	$ 996,600

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2022 are as follows:

	OPERATING LEASE	OPERATING LEASE
2023	$ 881,243	$ 1,019,358
2024	340,979	831,225
2025	309,324	329,996
2026	118,421	295,504
2027	97,115	118,421
THEREAFTER	164,356	261,471
Total undiscounted lease payments	1,911,438	2,855,975
Less: imputed interest	48,665	32,090
Net lease liabilities	$ 1,862,773	$ 2,823,885

Supplemental Lease Information

	DECEMBER 31, 2022	DECEMBER 31, 2021
Operating lease weighted average remaining lease term (years)	3.68	3.90
Operating lease weighted average discount rate	2.18%	2.24%

16. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

INVESTMENT SECURITIES:

The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

INTEREST RATE LOCK COMMITMENT (IRLC):

The Company recognizes IRLCs at fair value. Fair value of IRLCs is based on either (i) the price of the underlying loans obtained from an investor for loans that will be delivered on a best efforts basis or (ii) the observable price for individuals loans traded in the secondary market for loans that will be delivered on a mandatory basis. All of the Company's IRLCs are classified as Level 3.

DERIVATIVES:

The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2). Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair value of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing sources.

LOAN SERVICING RIGHTS:

On a quarterly basis, loan servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. If the carrying amount of an exceeds fair value, impairment is recorded on the servicing asset and it is carried at fair value. Fair value is determined based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes interest rate, prepayment speed, and default rate assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data (Level 2).

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis as of December 31:

	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
2022				
Available-for-sale securities	$181,558,037	$ -	$181,058,037	$ 500,000
Interest rate lock commitment	49,351	-	-	49,351
Cash flow derivatives	2,379,267	-	2,379,267	-
Servicing rights asset	255,813	-	255,813	-
	$184,242,468	**$ -**	**$183,693,117**	**$ 549,351**
2021				
Available-for-sale securities	$171,532,394	$ -	$171,532,394	$ -
Interest rate lock commitment	183,807	-	-	183,807
Cash flow derivatives	594,712	-	594,712	-
Servicing rights asset	56,343	-	56,343	-
	$172,367,256	**$ -**	**$172,183,449**	**$ 183,807**

The following table represents recurring level III assets:

	AVAILABLE-FOR-SALE SECURITIES	INTEREST RATE LOCK COMMITMENT
BALANCE AT JANUARY 1, 2021	$ 2,339,104	$ 870,844
Realized and unrealized gains included in earnings	-	(687,037)
Purchase of securities	-	-
Sales, maturities, calls, and paydowns of securities	(839,104)	-
Transfer to (from) level III assets	(1,500,000)	-
Unrealized gain/(loss) included in other comprehensive income	-	-
Unrealized gain/(loss) not included in other comprehensive income	-	-
BALANCE AT DECEMBER 31, 2021	$ -	$ 183,807
Realized and unrealized gains included in earnings	-	(134,456)
Purchase of securities	-	-
Sales, maturities, calls, and paydowns of securities	-	-
Transfer to (from) level III assets	500,000	-
Unrealized gain/(loss) included in other comprehensive income	-	-
Unrealized gain/(loss) not included in other comprehensive income	-	-
BALANCE AT DECEMBER 31, 2022	$ 500,000	$ 49,351

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements:

IMPAIRED LOANS:

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. For this reason, the fair value classification of these loans is Level 3. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's expertise and knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

There were no financial assets that were measured at fair value on a nonrecurring basis as of December 31, 2022 or 2021.

FASB ASC 825, *Financial Instruments*, requires disclosure about fair value of financial instruments, including those financial assets and financial liabilities that are not required to be measured and reported at fair value on a recurring or nonrecurring basis. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company. Additionally, in accordance with ASU 2016-01, which the Bank adopted on January 1, 2018 on a prospective basis, the Company uses the exit price notion, rather than the entry price notion, in calculating the fair values of financial instruments not measured at fair value on a recurring basis.

		FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2022 USING			
	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Cash and due from banks	$ 2,099,062	$ 2,099,062	$ -	$ -	$ 2,099,062
Interest bearing deposits with banks	32,674,953	32,674,953	-	-	32,674,953
Securities available-for-sale	181,558,037	-	181,558,037	500,000	181,558,037
Securities held-to-maturity	17,096,010	-	14,634,802	-	14,634,802
Loans held for sale	5,064,385	-	5,064,385	-	5,064,385
Loans receivable, net	692,388,888	-	-	679,991,000	679,991,000
Accrued interest receivable	3,784,076	3,784,076	-	-	3,784,076
Interest rate lock commitment	49,351	-	-	49,351	49,351
Cash flow derivative	2,412,791	-	2,412,791	-	2,412,791
TOTAL FINANCIAL ASSETS	**$937,127,553**	**$ 38,558,091**	**$203,170,015**	**$680,540,351**	**$922,268,457**
Financial liabilities					
Demand deposits	$603,155,028	$603,155,028	$ -	$ -	$603,155,028
Time deposits	245,840,048	-	243,030,000	-	243,030,000
Federal Home Loan Bank advances	25,000,000	-	24,789,279	-	24,789,279
PPP liquidity facility advances	5,826,298	-	5,826,298	-	5,826,298
Subordinated debt, net of issuance costs	19,674,794	-	16,843,994	-	16,843,994
Accrued interest payable	1,265,796	1,265,796	-	-	1,265,796
Cash flow derivative	33,522	-	33,522	-	33,522
TOTAL FINANCIAL LIABILITIES	**$900,795,486**	**$604,420,824**	**$290,523,093**	**$ -**	**$894,943,917**

		FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2021 USING			
	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Cash and due from banks	$ 2,536,450	$ 2,536,450	$ -	$ -	$ 2,536,450
Interest bearing deposits with banks	31,696,891	31,696,891	-	-	31,696,891
Securities available-for-sale	171,532,394	-	171,532,394	-	171,532,394
Securities held-to-maturity	18,012,874	-	13,995,774	4,000,000	17,995,774
Loans held for sale	13,297,125	-	13,297,125	-	13,297,125
Loans receivable, net	595,883,201	-	-	599,929,000	599,929,000
Accrued interest receivable	2,466,712	2,466,712	-	-	2,466,712
Interest rate lock commitment	183,807	-	-	183,807	183,807
Cash flow derivative	594,712	-	594,712	-	594,712
TOTAL FINANCIAL ASSETS	$836,204,166	$ 36,700,053	$199,420,005	$604,112,807	$840,232,865
Financial liabilities					
Demand deposits	$528,370,874	$528,370,874	$ -	$ -	$528,370,874
Time deposits	173,322,527	-	173,280,000	-	173,280,000
Federal Home Loan Bank advances	29,035,714	-	28,840,342	-	28,840,342
PPP liquidity facility advances	32,055,915	-	32,055,915	-	32,055,915
Subordinated debt, net of issuance costs	19,616,869	-	16,847,594	-	16,847,594
Accrued interest payable	294,237	294,237	-	-	294,237
TOTAL FINANCIAL LIABILITIES	$782,696,136	$528,665,111	$251,023,851	$ -	$779,688,962

17. Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making such commitments as it does for instruments that are included in the balance sheets.

Financial instruments whose contract amount represents credit risk were approximately as follows:

	2022	2021
Commitments to extend credit	$ 172,528,409	$ 137,281,000
Standby letters of credit	$ 2,606,292	$ 2,002,443

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 many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

18. Deferred Benefits

The Company has a traditional contributory 401(k) savings plan covering substantially all employees, which allows eligible employees to contribute up to 100 percent of their compensation, subject to the limits established by the IRS for 401(k) contributions. The Company also offers a post-tax Roth deferral plan to substantially all employees. Both deferral options receive a non-discretionary match subject to limitations based on annual salary. Expenses related to this non-discretionary match were $323,417 and $311,657 for the years ended December 31, 2022 and 2021, respectively.

The Company has deferred compensation plans for its directors, and its executives. Under the directors' plan, a director may elect to defer all or a portion of any director-related fees, including fees for serving on board committees. Under the executives' plan, certain employees may defer all or a portion of their compensation, including any bonus compensation.

19. Accumulated Other Comprehensive Loss

The following table presents the changes in accumulated other comprehensive loss, by category, net of tax, for the periods indicated:

	UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE SECURITIES	UNREALIZED GAINS (LOSSES) ON CASH FLOW DERIVATIVES	ACCUMULATED OTHER COMPREHENSIVE (LOSS)
BALANCE AT JANUARY 1, 2021	$ 1,394,132	$ (53,478)	$ 1,340,654
Unrealized gains net of tax of $364,654	(1,193,011)	-	(1,193,011)
Reclassification for gains on sales net of tax of $1,337	(4,369)	-	(4,369)
Unrealized loss on cash flow derivative, net of tax of ($155,275)	-	507,998	507,998
BALANCE AT DECEMBER 31, 2021	$ 196,752	$ 454,520	$ 651,272
Unrealized losses net of tax of $5,209,945	(19,526,846)	-	(19,526,846)
Reclassification for gains on sales net of tax of $4,045	(15,217)	-	(15,217)
Unrealized gain on cash flow derivative, net of tax of ($374,758)	-	1,409,797	1,409,797
BALANCE AT DECEMBER 31, 2022	$ (19,345,311)	$ 1,864,317	$ (17,480,994)

The following is changes in significant amounts reclassified out of each component of accumulated other comprehensive income for the year ended December 31:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
2022		
Unrealized gains and losses on available-for-sale securities		
Realized gains on securities available-for-sale	$ 19,262	Gain on Sale of Investment Securities
Other-than-temporary Impairment	-	N/A
Total before tax	19,262	
Tax effect	(4,045)	Income Tax Expense
Net of Tax	$ 15,217	
2021		
Unrealized gains and losses on available-for-sale securities		
Realized gains on securities available-for-sale	$ 5,706	Gain on Sale of Investment Securities
Other-than-temporary Impairment	-	N/A
Total before tax	5,706	
Tax effect	(1,337)	Income Tax Expense
Net of Tax	$ 4,369	

20. Related Party Transactions

For the years ended December 31, 2022 and 2021, the Company used a brokerage firm, at which one of the Company's directors is a principal. This brokerage firm offers benefits such as payroll services and health and dental insurance for employees of the Company. The brokerage firm receives commission payments directly from the benefit providers. Company-paid fees amounted to $350 and $0 for the years ended December 31, 2022 and 2021.

21. Parent Company Condensed Financial Information

BALANCE SHEETS

As of December 31

	2022	2021
ASSETS		
Cash	$ 693,228	$ 3,271,498
Investment in Bank Subsidiary	94,076,862	101,305,082
Other Assets	448,740	315,398
TOTAL ASSETS	**$ 95,218,830**	**$104,891,978**
LIABILITIES		
Subordinated Debt (net of issuance costs)	$ 19,674,794	$ 19,616,869
Other Liabillities	597,907	1,116,385
Total Stockholders' Equity	74,946,129	84,158,724
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 95,218,830**	**$104,891,978**

STATEMENT OF OPERATIONS

Years Ended December 31

	2022	2021
Interest Income	$ -	$ -
Total Interest Income	-	-
Interest Expense	701,943	81,666
Total Interest Expense	701,943	81,666
Total Interest Income (Loss)	(701,943)	(81,666)
Non-Interest Income	-	-
Total Non-interest Income	-	-
Non-Interest Expenses	994,859	553,286
Income (loss) before income tax and undistributed net income of bank subsidiary	(1,696,802)	(634,952)
Income tax benefit	356,328	91,705
Income (loss) before undistributed net income of bank subsidiary	(1,340,474)	(543,247)
Equity in undistributed net income of bank subsidiary	11,904,046	11,271,208
NET INCOME	**$ 10,563,572**	**$ 10,727,961**

STATEMENTS OF CASH FLOWS

Years Ended December 31

	2022	2021
OPERATING ACTIVITIES		
Net income	$ 10,563,572	$ 10,727,961
Equity in undistributed net income of bank subsidiary	(11,904,046)	(11,271,208)
Adjustments to reconcile net income to net cash provided by		
Operating Activities	57,925	6,494
Share-Based Compensation	536,564	81,807
Decrease/(increase) in:		
Intercompany Receivable	223,692	(315,398)
Income Tax Receivable	(356,328)	-
Other Assets	(706)	-
Increase (decrease) in:		
Intercompany Payable	(504,924)	(1,013,255)
Accrued Interest Payable	(23,335)	(81,666)
Other Liabilities	9,781	(21,462)
Net Cash Provided by Operating Activities	$ (1,397,805)	$ (1,886,727)
INVESTING ACTIVITIES		
Investment in Subsidiaries	1,000,000	(16,883,502)
Net Cash Used in Investing Activities	$ 1,000,000	$ (16,883,502)
FINANCING ACTIVITIES		
Proceeds from Subordinated Debt, Net of Issuance Costs	-	19,610,375
Proceeds from Stock Options	283,581	198,586
Repurchase of Common Stock	(2,464,046)	-
Net cash Provided by Financing Activities	$ (2,180,465)	19,808,961
Net Increase (Decrease) in Cash and Cash Equivalents	(2,578,270)	$ 1,038,732
Cash and Cash Equivalents, Beginning of Year	3,271,498	-
Cash and Cash Equivalents, End of Year	$ 693,228	$ 3,271,498

22. Subsequent Events

The date to which events occurring after December 31, 2022, the date of the most recent balance sheet, have been evaluated for possible adjustments to the financial statements or disclosure is March 10, 2023, which is the date on which the financial statements were available to be issued.

SHAREHOLDER & COMPANY INFORMATION

BOARD OF DIRECTORS

H. JASON GOLD
CHAIRMAN

JOHN T. ROHRBACK
VICE CHAIRMAN

CYNTHIA CARTER ATWATER
DIRECTOR

JOSEPH M. ENGLISH III
DIRECTOR

KEVIN J. KOOMAN
DIRECTOR

LAUREN FRIEND MCKELVEY
DIRECTOR

BRANDON C. PARK
DIRECTOR

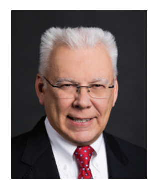
MAURY PEIPERL
DIRECTOR

JOSEPH J. THOMAS
PRESIDENT & CEO

EXECUTIVE OFFICERS & SENIOR LEADERSHIP TEAM

SHAUN E. MURPHY
SENIOR EXECUTIVE VICE PRESIDENT &
CHIEF OPERATING OFFICER AND CHIEF RISK OFFICER

RAJ MEHRA
EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER



RICHARD A. HUTCHISON
EXECUTIVE VICE PRESIDENT &
CHIEF MORTGAGE OFFICER

VICTORIA S. LOUCKS
EXECUTIVE VICE PRESIDENT &
HEAD OF DEPOSIT PRODUCTS

KEVIN FERRYMAN
EXECUTIVE VICE PRESIDENT &
HEAD OF SBA DIVISION

STEVE WITT
SENIOR VICE PRESIDENT & MARKET PRESIDENT
PRINCE WILLIAM COUNTY

DAVE DOCKENDORFF
SENIOR VICE PRESIDENT & MARKET PRESIDENT
LOUDOUN COUNTY

DARREN TULLY
SENIOR VICE PRESIDENT & MARKET PRESIDENT
FAIRFAX COUNTY

FREEDOM BANK

Experience Innovation • Bank With Freedom

Our IDEAS are Driving Client Success

through unique, flexible solutions and exceptional consultative service

Throughout 2022, our experienced bankers and innovative technologies have provided customized capital solutions to clients across a broad range of industries and sectors. If you're looking for an entrepreneurial banking partner that is committed to your growth and success by getting to "yes" quickly, contact **Freedom Bank**.

Here are some of the dynamic organizations we assisted:

Columbia Firehouse Restaurant & Barroom

Historic American Brasserie and Barroom in Old Town Alexandria Devoted to Serving Familiar Comfort Foods

$4,072,500

SBA 504 Loan for Purchase and Renovation of Restaurant Building

March 2022

E CONTRACTING TOTAL SITE SERVICES

Expert Construction Site Hauling, Removal, and Excavation Services

$2,750,000

Term Loan to Complete Leveraged Buyout Transaction and Working Capital Line of Credit

March 2022

CAPITAL CITY FLOORING

Full-Service Flooring Company Specializing in Corporate and Commercial Installations

$2,800,000

Commercial Mortgage and Line of Credit

May 2022

L&B UNIVERSAL HEATING | AIR CONDITIONING | MAINTENANCE — "Because Comfort Should Be Universal"

Provider of Complete Residential and Commercial HVAC Services

$6,100,000

Line of Credit, Debt Refinancing, and Commercial Real Estate Loan for Expansion of Operations

May 2022

clear sky FINANCIAL

Commercial & Residential Real Estate Investment & Development Advisory Firm

$2,275,250

Commercial Line of Credit for Purchase of Real Estate from the DC Government

July 2022

MONTESSORI CHILDREN'S CENTER

Family-Owned & Operated Cluster of Montessori Centers Across the Northern Virginia Metropolitan Area

$1,400,000

Refinancing for Owner-Occupied Real Estate

August 2022

ROOF FIX SOLAR ENERGY

San Antonio-Based Roofing & Solar Contractor Providing Roof Replacement & Roof Repair Throughout Texas

$1,700,000

SBA 7A Loan to Refinance MCA Loans & Working Capital

August 2022

BASH

Northern VA-Based Full-Body Group Fitness Company to Inspire you to Become Better, Stronger, and Faster – Every Day

$2,900,000

Guidance Line to Help Finance Multiple New Locations

October 2022

MARATHON — WE GOT THIS

Mold Remediation & Prevention, 24-Hour Flood Restoration, Final Construction Cleaning, and COVID-19 Disinfection Company in the Washington Metropolitan Area

$2,250,000

Term Loan, Lines of Credit and Equipment Financing

October 2022

Putting our **IDEAS** to work when you need us most.

Business Banking | Personal Banking | Mortgage Banking

Call 703-242-5300 or visit freedom.bank.

EQUAL HOUSING LENDER · Member FDIC

CORPORATE HEADQUARTERS

Freedom Financial Holdings, Inc.
10555 Main Street
Fairfax, VA 22030
703-242-5300

TRANSFER AGENT

American Stock Transfer & Trust Company
Shareholder Services – Admin 5 Team
6201 Fifteenth Avenue
Brooklyn, NY 11219
718-921-8300
www.astfinancial.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Crowe LLP
Washington, D.C.

COMMON STOCK

Freedom Financial Holdings, Inc.
Common stock is traded on the
OTC Markets Group (OTCQX) under the symbol FDVA

NOTICE OF ANNUAL MEETING

The Annual Meeting of Shareholders will be in person with a virtual option and will be held on
Thursday, April 27, 2023 at 4 pm
Shareholders may participate in the meeting by logging into Zoom using the following Meeting ID: 410 003 4459 and Passcode: 22030. Shareholders will have the ability to ask questions during the Annual Meeting via the "chat" function on the Zoom platform.

FREEDOM FINANCIAL HOLDINGS, INC.

CHANTILLY
4090 Lafayette Center Drive, Suite B
Chantilly, VA 20151
571-395-4000

FAIRFAX
10555 Main Street, Suite 100
Fairfax, VA 22030
703-667-4167

MANASSAS
10611 Balls Ford Road, Suite 110
Manassas, VA 20109
703-349-2210

RESTON
11700 Plaza America Drive, Suite 110
Reston, VA 22190
703-663-2300

VIENNA
502 Maple Avenue West
Vienna, VA 22180
703-667-4170

MORTGAGE DIVISION
4090 Lafayette Center Drive, Suite B
Chantilly, VA 20151
703-766-6400

SBA DIVISION
500 Mamaroneck Avenue, Suite 400
Harrison, NY 10528
914-370-2061

LOUDOUN COUNTY LOCATION
COMING SOON

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