



FREEDOM FINANCIAL
HOLDINGS, INC.

2024

ANNUAL REPORT

EMPOWERING DREAMS

INNOVATING BANKING



Business Banking • Personal Banking • Mortgage Banking

freedom.bank

ABOUT THE BANK

Our Purpose

- Freedom Bank empowers our clients to achieve their dreams by providing innovative business, personal, and mortgage banking solutions.

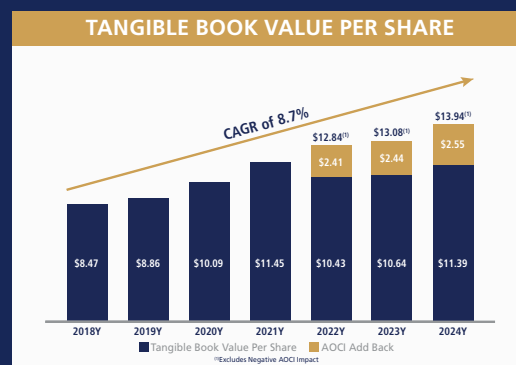
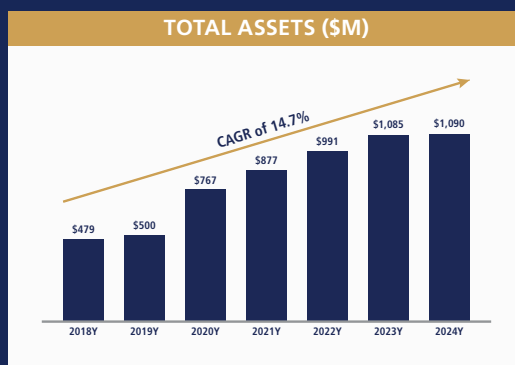
Our Vision

- To make a lasting impact in the Northern Virginia region by empowering our clients with entrepreneurial solutions, easy-to-use technology and exceptional service, providing meaningful career opportunities for colleagues, investing in the communities we serve, and driving strong returns for our shareholders.

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



FREEDOM FINANCIAL HOLDINGS, INC.

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A LETTER TO OUR SHAREHOLDERS

March 15, 2025

Dear Shareholders:

On behalf of our directors and officers, we are pleased to present the 2024 Annual Report for Freedom Financial Holdings, Inc. It highlights our financial performance during the past year and demonstrates our notable successes in the face of a complex economic and regulatory landscape.

Our colleagues have focused on managing growth, investing in talent and technology, and enhancing internal controls as a part of surpassing for the first time \$1.0 billion in total assets last year. Clients have continued to reward us with their trust and the transactions showcased at the back of this report affirm Freedom Bank's innovative approach to banking. Our culture of IDEAS starts with a keen understanding of client needs and market opportunities and empowers our clients with entrepreneurial solutions, easy-to-use technology, and exceptional service.

You will find on the inside front cover a description of our purpose as a company with a new focus on **Empowering Dreams, Innovating Banking**. This includes an expanding focus on individual and business clients to help them achieve their financial goals through our experienced bankers, quick decisions, flexible solutions, innovative technology, and responsive service that allow us to be the client's primary relationship bank.

The banking sector in 2024 navigated through a challenging environment characterized by geopolitical instability and an evolving regulatory landscape. Despite these headwinds, the banking industry has demonstrated remarkable adaptability, with a continued focus on digital transformation to enhance customer experiences and modernize technology.

Throughout 2024, we invested in talent that resulted in new senior leaders joining our expanding company, including our Head of Commercial Banking, Chief Credit Officer, and Director of Mortgage Sales. We embraced our digital transformation and completed the successful rollout of a new mobile banking platform that includes digital deposit account opening capability.

We are pleased to report that Freedom Financial Holdings, the parent company of Freedom Bank, delivered strong financial results for the year 2024:

- Our net income for the full year 2024 was \$4,710,284, or \$0.64 per diluted share, representing a significant increase of 103.2% compared to 2023.
- Total volume of mortgage loans originated increased 25.2% over prior year to \$183.3 million which resulted in non-interest income increasing 23.6% over prior year to \$4.8 million.
- Total assets reached \$1.09 billion as of December 31, 2024 and we have maintained strong liquidity compared to other metro banks with a low loan-to-deposit ratio of 84%.
- The Company continues to be well capitalized with a strong Leverage ratio of 10.41%, Common Equity Tier 1 ratio of 13.57%, and a Total Capital ratio of 14.33%.
- We have a smaller exposure to commercial real estate (CRE) than most banks our size in the DC Region with total investor CRE loans to total capital of 158% at year-end, well below the regulatory guidelines of 300%.
- Asset quality has improved as we have reduced classified loans by \$15.4MM or 47.4% and classified loans represented 13.81% of capital at year-end.
- The tangible book value of our common stock, excluding AOCI adjustments, increased to \$13.94 per share by the end of 2024, up from \$13.25 per share at the end of 2023.

We are focused on five key ingredients to ensure that the Freedom Bank achieves improving results over the next three years: loan growth from lead C&I relationships; core deposit funding with a new consumer initiative; balance sheet composition to remix assets and funding and improve margin; growing balanced non-interest revenue from mortgage, SBA and Treasury; and expense management to improve efficiency using technology. All executives have clear goals that align with these objectives.

Our key business lines and highlights are provided below:

Commercial Banking

- Seasoned team of twelve Commercial Bankers and Portfolio Managers
- Broad focus across the C&I, Industry Verticals, SBA Lending and Commercial Real Estate markets
- Strong business banking franchise with C&I loans representing 21% of total loans as of December 31, 2024

Community Banking

- Rational branch network with five branches across Northern Virginia market
- Strong core deposits with non-interest deposits comprising 15% of total deposits as of December 31, 2024
- Uninsured deposits to total deposits very low at 22.51%

Treasury Services

- Robust Treasury Management team of five associates and Payment solutions on Apiture and Fiserv platforms
- Merchant Services offered through a strategic partnership with Fiserv/First Data
- Business Credit Cards offered through a strategic partnership with Elan Financial Services

Mortgage Banking

- Experienced team of twelve mortgage loan officers and dedicated Mortgage Operations team
- Generated residential loan production of \$183.4 million with average loan size of \$599 thousand.
- Extensive product offerings, including VA, FHA, VHDA, and USDA mortgages

As an extension of our commitment to helping small businesses and promoting more inclusion in the financial system, our Board of Directors continues to support the mission and strategy for the Freedom Bank Foundation focused on economic inclusion to make the communities Freedom Bank serves more vibrant. The Foundation has now raised over \$350,000 for the Fund, which makes loans to underrepresented entrepreneurs in the Northern Virginia region in partnership with the Community Business Partnership, Inc. (CBP) and the Latino Economic Development Center (LEDC).

We are living through a period of unprecedented changes in the federal government that will have far reaching implications to businesses and individuals across Freedom Bank's footprint. We are actively monitoring the impact on our company and evaluating the effects on our clients. From those conversations, we are finding that there is uncertainty and anxiety from the evolving policy environment, but there are also opportunities for clients to start and grow businesses. Our bank remains committed to helping clients navigate both the challenges and prospects this may create.

We are grateful for your continued support and trust in Freedom Bank. With the economic uncertainties that lie ahead, we are confident in our ability to navigate and transform these challenges into opportunities for growth and success. We look forward to making a lasting impact in the Northern Virginia region by empowering our clients to achieve their dreams, providing meaningful career opportunities for colleagues, investing in the communities we serve, and driving strong returns for our shareholders. Thank you for your investment in Freedom Bank.

Sincerely,



H Jason Gold

H. JASON GOLD
Chairman of the Board



Joseph J. Thomas

JOSEPH J. THOMAS, CFA
President & CEO

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Freedom Financial Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, 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. 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. 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.

(Continued)

Allowance for Credit Losses

The Company applies the weighted average remaining life methodology to estimate the collective quantified component of the allowance to all portfolio segments, which is referred to as the loss estimation model. Collective calculation methodologies utilize the Company's historical default and loss experience adjusted for future economic forecasts. Historical loss experience provides the basis for the estimation of expected credit losses. If historical loss experience does not exist for the company, peer group historical loss experience is used from peers of a similar size and geographic area. Adjustments to historical loss information are made for changes in the experience, ability, and depth of lending management and other relevant staff, changes in the value of underlying collateral for collateral-dependent loans, the existence and effect of any concentrations of credit, and changes in the level of such concentrations, changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments, the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio, changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans, changes in the quality of the institution's loan review system, changes in the nature and volume of the portfolio and in the terms of loans as well as changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses.

Auditing the allowance for credit losses was identified by us as a critical audit matter because of the significant auditor judgment applied and significant audit effort required to evaluate the subjective and complex judgments made by management throughout application processes, including the loss estimation model and significant judgments related to adjustments to historical loss information.

The primary substantive procedures performed to address this critical audit matter include:

- Evaluating the reasonableness and appropriateness of the weighted average remaining life methodology including evaluating judgments in estimating expected credit losses in the loss estimation model.
- Evaluating judgments made by management on the loss estimation model.
- Evaluating the appropriateness and reasonableness of the factors and judgments used in adjustments to historical loss information.
- Evaluating the relevance and reliability of the underlying data used to derive adjustments to historical loss information.
- Testing the completeness and accuracy of inputs utilized in the calculation of the adjustments to historical loss information for each portfolio segment.
- Testing the mathematical accuracy of the adjustments to historical loss information.

Crowe LLP

Crowe LLP

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

Washington, D.C.
March 14, 2025

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

December 31
2024 and 2023

ASSETS	2024	2023
Cash and due from financial institutions	\$ 5,685,008	\$ 2,442,050
Interest-bearing deposits with banks	23,004,874	21,806,078
Cash and Cash Equivalents	28,689,882	24,248,128
Securities available-for-sale, Net of Allowance for Credit Losses of 2024 \$84,327; 2023 \$0	209,687,859	211,263,518
Securities held to maturity, Net of Allowance for Credit Losses 2024 \$72,609; 2023 \$84,434 (fair value 2024 \$18,231,634; 2023 \$17,611,533)	20,315,651	20,114,269
Restricted stock investments	6,249,000	4,769,900
Loans held for sale	5,963,969	6,663,929
Loans receivable	767,897,544	769,743,881
Allowance for credit losses	(6,534,757)	(10,519,335)
Net Loans	761,362,787	759,224,546
Premises and equipment, net	767,773	878,957
Accrued interest receivable	4,155,077	3,721,730
Deferred tax asset, net	7,560,441	7,633,840
Bank-owned life insurance	27,560,616	26,731,339
Right-of-use asset, net	1,874,403	1,987,075
Other assets	16,299,753	17,430,819
TOTAL ASSETS	\$1,090,487,211	\$1,084,668,050

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

LIABILITIES	2024	2023
Deposits		
Demand deposits		
Non-interest bearing	\$ 133,665,194	\$ 143,956,306
Interest bearing	475,397,117	519,339,202
Savings deposits	3,866,241	4,120,770
Time deposits	296,603,142	253,641,860
Total Deposits	909,531,694	921,058,138
Borrowings	65,000,000	50,000,000
PPP liquidity facility advances	159,825	270,576
Subordinated debt (net of issuance costs)	19,850,643	19,752,719
Allowance for Credit losses on off-balance sheet exposures	123,071	89,029
Accrued interest payable	2,445,742	2,842,646
Lease liability	2,013,912	1,925,671
Other liabilities	9,922,918	11,501,219
TOTAL LIABILITIES	1,009,047,805	1,007,439,998
Commitments and contingent liabilities - See Note 1 and 17		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized; 0 shares issued and outstanding, 2024 and 2023	-	-
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:		
7,268,087 and 6,582,677 shares issued and outstanding at December 31, 2024 and 2023, respectively (includes 118,032 and 88,993 unvested shares, respectively)	71,501	64,937
Non-Voting Common Stock:		
0 and 673,000 shares issued and outstanding at December 31, 2024 and 2023, respectively	-	6,730
Additional paid-in capital	58,347,356	58,320,419
Accumulated other comprehensive income (loss), net	(18,240,683)	(17,715,015)
Retained earnings	41,261,232	36,550,981
Total Stockholders' Equity	81,439,406	77,228,052
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	1,090,487,211	1,084,668,050

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31
2024 and 2023

	2024	2023
INTEREST INCOME		
Interest and fees on loans	\$ 48,526,462	\$ 44,430,123
Interest on investment securities		
Taxable	10,886,330	9,749,795
Tax-exempt	643,094	602,891
Interest on deposits with banks	1,540,629	1,738,669
Total Interest Income	61,596,515	56,521,478
INTEREST EXPENSE		
Interest on deposits	31,487,131	27,605,539
Interest on borrowings	4,851,277	1,724,125
Total Interest Expense	36,338,408	29,329,664
Net Interest Income	25,258,107	27,191,814
PROVISION FOR CREDIT LOSSES		
Credit Loss expense - Loans	(714,426)	5,888,700
Credit loss expense - debt securities held-to-maturity	(11,825)	(21,195)
Credit loss expense - debt Securities available-for-sale	84,327	-
Credit loss expense - off balance sheet credit exposures	34,042	(130,064)
Total Credit Loss Expense	(607,882)	5,737,441
Net Interest Income After Provision for Credit Losses	25,865,989	21,454,373
NON-INTEREST INCOME		
Gain on sale of mortgage loans	1,997,595	1,466,761
Gain on sale of SBA-guaranteed loans	287,032	-
Gain on sale/call of investment securities	1,816	-
Service charges and other income	1,549,199	1,294,905
Loan servicing income	150,363	226,734
Increase in cash surrender value of bank-owned life insurance	829,278	906,943
Total Non-Interest Income	4,815,283	3,895,343
NON-INTEREST EXPENSES		
Officer and employee compensation and benefits	14,859,514	14,322,882
Occupancy expense	1,114,883	746,494
Equipment and depreciation expense	90,680	112,340
Insurance expense	914,264	805,468
Professional fees	2,078,782	1,565,129
Data and item processing	2,371,647	1,967,662
Business development	539,856	473,676
Franchise taxes	1,232,744	1,190,263
Mortgage fees and settlements	421,507	320,197
Other operating expense	1,458,296	1,673,201
Total Non-Interest Expenses	25,082,173	23,177,312

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

	2024	2023
INCOME BEFORE INCOME TAXES	5,599,099	2,172,404
INCOME TAX EXPENSE	888,848	(146,293)
NET INCOME	\$ 4,710,251	\$ 2,318,697
EARNINGS PER COMMON SHARE – BASIC	\$ 0.65	\$ 0.32
EARNINGS PER COMMON SHARE – DILUTED	\$ 0.65	\$ 0.32
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	7,270,960	7,292,638
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	7,277,117	7,320,455

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years Ended December 31
2024 and 2023

	2024	2023
Net Income	\$ 4,710,251	\$ 2,318,697
Other Comprehensive Income:		
Unrealized gains/(losses) on securities:		
Unrealized holdings gain/(loss) arising during the period	(190,530)	211,460
Reclassification adjustment for losses (gains) included in net income	-	-
Tax effect	42,870	(47,579)
Net of Tax	(147,660)	163,881
Unrealized gains/(losses) on cash flow hedge:		
Unrealized holdings gain/(loss)	(518,581)	(930,425)
Reclassification adjustment for losses (gains) included in net income	-	-
Tax effect	140,573	164,916
Net of Tax	(378,008)	(765,509)
Total Other Comprehensive Loss	(525,668)	(601,628)
COMPREHENSIVE INCOME (LOSS)	\$ 4,184,583	\$ 1,717,069

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
2024 and 2023

	<i>Voting and Non-Voting</i>		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
	SHARES OF COMMON STOCK	COMMON STOCK				
BALANCE, JAN. 1, 2023	7,184,259	\$71,843	\$58,241,499	\$(17,113,387)	\$34,113,781	\$75,313,736
Net income	-	-	-	-	2,318,697	2,318,697
Other comprehensive income	-	-	-	(601,628)	-	(601,628)
Common stock repurchased	(56,632)	(567)	(573,193)	-	-	(573,760)
Stock options exercised	-	-	-	-	-	-
Restricted stock - vested net of shares withheld	39,057	391	(139,191)	-	-	(138,800)
Stock-based compensation - stock options	-	-	-	-	-	-
Stock-based compensation - restricted stock	-	-	791,304	-	-	791,304
Cumulative Effect Change in Accounting Principle - CECL	-	-	-	-	118,503	118,503
BALANCE, DEC. 31, 2023	7,166,684	\$71,667	\$58,320,419	\$(17,715,015)	\$36,550,981	\$77,228,052
Net income	-	-	-	-	4,710,251	4,710,251
Other comprehensive loss	-	-	-	(525,668)	-	(525,668)
Common stock repurchased	(56,676)	(567)	(582,675)	-	-	(583,242)
Stock options exercised	1,575	16	12,348	-	-	12,364
Restricted stock - vested net of shares withheld	38,472	385	(88,418)	-	-	(88,033)
Stock-based compensation - stock options	-	-	-	-	-	-
Stock-based compensation - restricted stock	-	-	685,682	-	-	685,682
Non-voting stock converted to voting stock	(673,000)	(6,730)	-	-	-	(6,730)
Voting stock converted from non-voting stock	673,000	6,730	-	-	-	6,730
BALANCE, DEC. 31, 2024	7,150,055	\$71,501	\$58,347,356	\$(18,240,683)	\$41,261,232	\$81,439,406

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
2024 and 2023

CASH FLOWS FROM OPERATING ACTIVITIES	2024	2023
Net income	\$ 4,710,251	\$ 2,318,697
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	(607,882)	5,737,441
Depreciation and amortization of premises and equipment	111,184	144,432
Net amortization of available-for-sale securities	(26,858)	(199,263)
Deferred income tax benefit	226,012	(473,592)
Net realized gains on sales of investment securities	(1,816)	-
Net gain on sale of mortgage loans	(1,997,595)	(1,466,761)
Net gain on sale of SBA guaranteed loans	(287,032)	-
Loans held for sale originated	(108,960,962)	(83,817,402)
Proceeds from the sale of loans held for sale	110,961,129	83,684,620
Proceeds from the sale of SBA loans	3,513,630	-
Stock-based compensation expense	597,648	652,504
Subordinated debt amortization expense	97,925	77,925
Earnings on company-owned life insurance	(829,278)	(743,011)
Repayment of operating lease liabilities	200,913	(187,891)
(Increase) decrease in:		
Accrued interest receivable	(433,348)	62,346
Other assets	643,313	(456,522)
Increase (decrease) in:		
Accrued interest payable	(396,903)	1,576,850
Other liabilities	(1,578,301)	(3,059,606)
Net Cash Provided by Operating Activities	5,942,030	3,850,767

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
2024 and 2023

CASH FLOWS FROM INVESTING ACTIVITIES	2024	2023
Available-for-sale securities:		
Proceeds from sales	\$ 2,000,000	\$ -
Maturities, prepayments and calls	23,557,961	15,742,241
Purchases	(24,228,483)	(45,036,999)
Held-to-maturity securities:		
Maturities, prepayments and calls	540,819	899,607
Purchases	(730,375)	(4,000,000)
(Purchase) sale of restricted stock investments, net	(1,479,100)	(880,700)
Loan (originations) and payments (not including PPP), net	(4,063,776)	(77,804,749)
PPP loan origination	-	-
PPP loan payments	110,752	5,555,722
SBA loan origination, net	-	-
Purchased loans, net of payments	-	-
Acquisition of premises and equipment	-	(45,996)
Purchase of company-owned life insurance	-	260,643
Net Cash Used in Investing Activities	(4,292,202)	(105,310,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits, net	\$ (11,526,444)	\$ 72,063,059
Advances from Borrowings	161,510,000	125,000,000
Repayment of Borrowings	(146,510,000)	(100,000,000)
Advances from the Payment Protection Plan Liquidity Facility ("PPPLF")	-	-
Repayment of advances from the PPPLF	(110,752)	(5,555,722)
Proceeds from subordinated debt, net of issuance costs	-	-
Proceeds from stock options	12,364	-
Repurchase of common stock	(583,242)	(573,760)
Net Cash Provided by Financing Activities	2,791,926	90,933,577
Net Increase in Cash and Cash Equivalents	4,441,754	(10,525,887)
Cash and Cash Equivalents, Beginning of Year	24,248,128	34,774,015
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 28,689,882	\$ 24,248,128

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
2024 and 2023

SUPPLEMENTAL NONCASH DISCLOSURES	2024	2023
Unrealized loss on securities available-for-sale, net	\$ (190,530)	\$ 211,460
Loans transferred (to)/from held-for-sale from/to portfolio	\$ -	\$ -
Right-of-use assets obtained in exchange for lease liabilities	\$ -	\$ -
Unrealized gain/(loss) on cash flow derivative	\$ (518,581)	\$ (930,425)
Unfunded commitment on limited partnership investments	\$ 2,577,870	\$ 4,089,337

SUPPLEMENTAL INFORMATION		
Cash paid during the year for interest	\$ 36,735,312	\$ 27,877,523
Cash paid during the year for income taxes	\$ 128,947	\$ 980,000

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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.

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 financial statements and footnotes for prior periods 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

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

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 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.

ALLOWANCE FOR CREDIT LOSSES – HELD-TO-MATURITY SECURITIES

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The estimate for expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Management classifies the held-to-maturity portfolio into the following major security types: corporate notes and municipal securities.

ALLOWANCE FOR CREDIT LOSSES – AVAILABLE-FOR-SALE SECURITIES

Management determines expected credit losses on available for sale securities to be recognized through a valuation allowance instead of as a direct write-down to the amortized cost basis of the security. An available for sale security is considered impaired if the fair value is less than its amortized cost basis. If any portion of the decline in fair value is related to credit, the amount of allowance is determined as the portion related to credit, limited to the difference between the amortized cost basis and the fair value of the security. If we have the intent to sell, or believe it is more likely than not we will be required to sell an impaired available for sale security before recovery of the amortized cost basis, the credit loss is recorded as a direct write-down of the amortized cost basis. Credit losses on investment securities are recognized through the Provision for credit losses on our income statement. Declines in the fair value of available for sale securities that are not considered credit related are recognized in AOCI in the balance sheet.

RESTRICTED STOCK INVESTMENTS

Federal Home Loan Bank (FHLB) stock, Federal Reserve Bank (FRB) 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 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 cost or market 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 91 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 CREDIT LOSSES - LOANS

The allowance for credit losses represents an amount which, in management's judgment, reflects the lifetime expected losses that may be sustained on outstanding loans at the balance sheet date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The allowance is measured and recorded upon the initial recognition of a financial asset. The allowance is reduced by charge-offs, net of recoveries of previous losses, and is increased or decreased by a provision or credit for credit losses, which is recorded as a current period expense.

Management estimates the allowance balance using relevant available information, for internal and external sources relating to past events, current events, current conditions and reasonable and supportable forecasts. Historical loss experience provides the basis for the estimation of expected credit losses. If historical loss experience does not exist for the company, peer group historical loss experience is used from peers of a similar size and geographic area. Adjustments to historical loss information are made for changes in the experience, ability, and depth of lending management and other relevant staff, changes in the value of underlying collateral for collateral-dependent loans, the existence and effect of any concentrations of credit, and changes in the level of such concentrations, changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments, the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio, changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans, changes in the quality of the institution's loan review system, changes in the nature and volume of the portfolio and in the terms of loans as well as changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses.

The Company's methodology for estimating the allowance includes a quantified reserve that reflects historical default and loss experience adjusted for expected economic conditions throughout a reasonable and supportable period and in addition to qualitative factors that consider the expected impact of certain factors not fully captured in the quantified reserve, including concentrations of the loan portfolio, expected changes to the economic forecasts, large relationships, early delinquencies, and factors related to credit administration, including, among others, loan-to-value ratios, borrowers' risk rating and credit score migrations.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The company has identified the following portfolio segments:

- Commercial and Industrial
- Real estate – commercial
- Real estate – construction
- Real estate – residential
- Consumer and other

The Company applies the weighted average remaining life methodology to estimate the collective quantified component of the allowance to all portfolio segments. Collective calculation methodologies utilize the Company's historical default and loss experience adjusted for future economic forecasts. The most significant economic variable included in the reasonable and supportable forecast is the unemployment rate.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs as appropriate.

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 \$150,363 and \$226,734 for the years ended December 31, 2024 and 2023, 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 on December 31, 2024 and 2023.

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 all 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.

	<u>2024</u>	<u>2023</u>
Average number of common shares outstanding	7,270,960	7,292,638
Effect of dilutive options	6,157	27,817
Average number of common shares outstanding used to calculate diluted earnings per common share	<u>7,277,117</u>	<u>7,320,455</u>

There were no antidilutive options for the year ended December 31, 2024 and 2023. 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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In March 2023, the FASB issued ASU 2023-02, "Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method". ASU 2023-02 allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. The amendment in this ASU also remove the specialized guidance for low-income-housing tax credit investments that are not accounted for using the proportional amortization method and instead require that those LIHTC investments be accounted for using the guidance in other GAAP. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The adoption of this pronouncement is not expected to have a material impact on the Consolidated Financial Statements.

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." These amendments require, among other things, that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this ASU and all existing segment disclosures in Topic 208. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all periods presented in the financial statements. The Company adopted ASU 2023-07 on January 1, 2024 and it did not have a material impact on its accounting and disclosures."

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendment requires companies to disclose, on an annual basis, specific categories in the effective tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires companies to disclose additional information about income taxes paid. ASU 2023-09 will be effective for annual periods beginning January 1, 2025 and will be applied on a prospective basis with the option to apply the standard retrospectively. The adoption of ASU No. 2023-09 is not expected to have a material impact on the Consolidated Financial Statements, but will impact our income tax disclosures.

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 on December 31, 2024 and 2023 was \$0. Additionally, the Company is required to pledge cash as collateral for its derivative positions with its counterparty. The required reserve on December 31, 2024 and 2023 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 on December 31, 2024 and 2023 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, 2024	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ALLOWANCE FOR CREDIT LOSSES	FAIR VALUE
Available-for-sale					
Corporate notes	\$ 42,536,312	\$ 2,325	\$ (4,955,701)	\$ (84,327)	\$ 37,498,609
Agency notes	1,000,000	-	(10,905)	-	989,095
Mortgage-backed securities	99,714,719	114,585	(11,344,660)	-	88,484,644
Municipal securities - tax exempt	11,189,998	-	(1,501,122)	-	9,688,876
Municipal securities - taxable	24,900,356	-	(4,186,106)	-	20,714,250
SBA loan pools	3,855,101	5,322	(77,886)	-	3,782,537
Asset-backed securities	8,204,136	115,893	(2,493)	-	8,317,536
Private-label mortgage-backed securities	16,793,316	4,322	(2,535,983)	-	14,261,655
Private-label commercial mortgage-backed securities	8,982,381	7,906	(101,916)	-	8,888,371
Private-label collateralized loan obligations	17,082,044	19,118	(38,876)	-	17,062,286
Total Available-for-sale	<u>\$234,258,363</u>	<u>\$ 269,471</u>	<u>\$(24,755,648)</u>	<u>\$ (84,327)</u>	<u>\$209,687,859</u>
	AMORTIZED COST	GROSS UNRECOGNIZED GAINS	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	ALLOWANCE FOR CREDIT LOSSES
Held-to-maturity					
Corporate notes	\$ 4,000,000	\$ -	\$ (405,160)	\$ 3,594,840	\$ (10,080)
Municipal securities - tax exempt	10,702,115	75,430	(1,026,144)	9,751,401	-
Municipal securities - taxable	5,686,145	-	(800,752)	4,885,393	(62,529)
Total Held-to-maturity	<u>\$ 20,388,260</u>	<u>\$ 75,430</u>	<u>\$(2,232,056)</u>	<u>\$18,231,634</u>	<u>\$ (72,609)</u>

DEC. 31, 2023	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ALLOWANCE FOR CREDIT LOSSES	FAIR VALUE
Available-for-sale					
Corporate notes	\$ 42,234,907	\$ 8,591	\$ (5,868,898)	\$ -	\$ 36,374,600
Agency notes	1,000,000	-	(24,671)	-	975,329
Mortgage-backed securities	86,019,318	221,612	(10,221,181)	-	76,019,749
Municipal securities - tax exempt	11,242,484	-	(1,017,708)	-	10,224,776
Municipal securities - taxable	25,250,785	1,005	(4,209,224)	-	21,042,566
SBA loan pools	5,813,205	11,218	(120,235)	-	5,704,188
Asset-backed securities	12,672,624	118,839	(131,059)	-	12,660,404
Private-label mortgage-backed securities	18,380,368	10,781	(2,596,245)	-	15,794,904
Private-label commercial mortgage-backed securities	10,980,367	9,437	(284,146)	-	10,705,658
Private-label collateralized loan obligations	21,965,107	12,327	(216,090)	-	21,761,344
Total Available-for-sale	<u>\$235,559,165</u>	<u>\$393,810</u>	<u>\$(24,689,457)</u>	<u>\$ -</u>	<u>\$211,263,518</u>
	AMORTIZED COST	GROSS UNRECOGNIZED GAINS	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	ALLOWANCE FOR CREDIT LOSSES
Held-to-maturity					
Corporate notes	\$4,000,000	\$ -	\$ (476,920)	\$ 3,523,080	\$ (13,500)
Municipal securities - tax exempt	10,428,125	7,818	(1,091,614)	9,344,329	-
Municipal securities - taxable	5,686,144	-	(942,020)	4,744,124	(70,934)
Total Held-to-maturity	<u>\$20,114,269</u>	<u>\$ 7,818</u>	<u>\$(2,510,554)</u>	<u>\$17,611,533</u>	<u>\$(84,434)</u>

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	\$ 500,000	\$ 499,153	\$ -	\$ -
After 1 year - 5 years	10,469,845	9,417,214	4,772,857	4,346,124
After 5 years - 10 years	67,515,370	60,462,371	2,186,144	1,785,967
After 10 years	30,282,731	27,674,451	13,429,259	12,099,543
	<u>108,767,946</u>	<u>98,053,189</u>	<u>20,388,260</u>	<u>18,231,634</u>
Mortgage-backed securities	125,490,416	111,634,670	-	-
	<u>\$ 234,258,362</u>	<u>\$209,687,859</u>	<u>\$ 20,388,260</u>	<u>\$ 18,231,634</u>

Securities pledged to the Federal Home Loan Bank (FHLB) at years ending 2024 and 2023 had a carrying amount of \$8,181,598 and \$43,623,462, respectively. Securities pledged to the Federal Reserve Bank (FRB) at years ending 2024 and 2023 had a carrying amount of \$39,910,836 and \$8,539,099, respectively.

At year-end 2024 and 2023, there were holdings of \$17.5 million and \$9.6 million of securities issued individual counterparty's, other than U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

Information pertaining to securities with gross unrealized losses and unrecognized losses on December 31, 2024, 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, 2024						
Available-for-sale						
Corporate notes	\$ -	\$ -	\$ 4,955,701	\$ 35,477,192	\$ 4,955,701	\$ 35,477,192
Agency notes	-	-	10,905	989,095	10,905	989,095
Mortgage-backed securities	277,382	18,630,706	11,067,278	46,409,683	11,344,660	65,040,389
Municipal securities - tax exempt	-	-	1,501,122	9,688,876	1,501,122	9,688,876
Municipal securities - taxable	-	-	4,186,106	20,714,249	4,186,106	20,714,249
SBA loan pools	-	-	77,886	2,786,876	77,886	2,786,876
Asset-backed securities	1,742	1,136,050	751	999,250	2,493	2,135,300
Private-label mortgage-backed securities	-	-	2,535,983	13,465,010	2,535,983	13,465,010
Private-label commercial mortgage-backed securities	-	-	101,916	6,858,567	101,916	6,858,567
Private-label collateralized loan obligations	-	-	38,876	2,948,797	38,876	2,948,797
TOTALS	\$ 279,124	\$19,766,756	\$24,476,524	\$140,337,595	\$24,755,648	\$160,104,351
	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity						
Corporate notes	\$ -	\$ -	\$ 405,160	\$ 3,594,840	\$ 405,160	\$ 3,594,840
Municipal securities - tax exempt	-	-	1,026,144	4,893,128	1,026,144	4,893,128
Municipal securities - taxable	-	-	800,752	4,885,392	800,752	4,885,392
	\$ -	\$ -	\$ 2,232,056	\$ 13,373,360	\$ 2,232,056	\$ 13,373,360

	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, 2023						
Available-for-sale						
Corporate notes	\$ 86,958	\$ 2,475,527	\$ 5,781,940	\$ 31,890,481	\$ 5,868,898	\$ 34,366,008
Agency notes	-	-	24,671	975,329	24,671	975,329
Mortgage-backed securities	35,142	5,684,868	10,186,039	49,149,965	10,221,181	54,834,833
Municipal securities - tax exempt	8,305	520,091	1,009,403	9,704,685	1,017,708	10,224,776
Municipal securities - taxable	-	-	4,209,224	20,791,560	4,209,224	20,791,560
SBA loan pools	8,873	519,849	111,362	3,663,028	120,235	4,182,877
Asset-backed securities	9,545	1,914,947	121,514	4,353,612	131,059	6,268,559
Private-label mortgage-backed securities	-	-	2,596,245	14,854,381	2,596,245	14,854,381
Private-label commercial mortgage-backed securities	169,269	4,427,126	114,877	3,313,256	284,146	7,740,382
Private-label collateralized loan obligations	15,512	1,963,871	200,578	11,730,377	216,090	13,694,248
TOTALS	\$ 333,604	\$17,506,279	\$24,355,853	\$150,426,674	\$ 24,689,457	\$167,932,953
	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity						
Corporate notes	\$ -	\$ -	\$ 476,920	\$ 3,523,080	\$ 476,920	\$ 3,523,080
Municipal securities - tax exempt	-	-	1,091,614	5,174,451	1,091,614	5,174,451
Municipal securities - taxable	459,980	3,540,020	482,040	1,204,104	942,020	4,744,124
	\$ 459,980	\$ 3,540,020	\$ 2,050,574	\$ 9,901,635	\$ 2,510,554	\$ 13,441,655

Management evaluates securities for credit losses 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.

As of December 31, 2024, 251 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, tax-exempt municipal securities, taxable municipal securities, Small Business Administration (SBA) securities, 51 of the securities are secured by corporate bonds, private-label MBS/CMBS, Asset Based Security (ABS), and 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. Management concluded that the financial condition of an issuer of one security, with a book value of \$694,800, was credit related and management recorded a credit loss expense of \$84,327 in 2024. The allowance for credit losses for available for sale securities was \$84,327 and \$0 for the years ended December 2024 and 2023, respectively.

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

	2024	2023
Proceeds	\$ 2,000,000	\$ -
Gross gains	-	-
Gross losses	-	-

The tax provision related to these net realized gains and losses was \$0 and \$0 for the years ended December 31, 2024 and 2023, respectively.

Restricted stock investments consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Federal Reserve Bank stock	\$ 2,296,800	\$ 2,296,800
Federal Home Loan Bank stock	3,886,200	2,407,100
Community Bankers Bank stock	66,000	66,000
TOTALS	<u>\$ 6,249,000</u>	<u>\$ 4,769,900</u>

The following table shows a rollforward of the allowance for credit losses on held to maturity securities for the twelve months ended December 31, 2024 and 2023:

	<u>CORPORATE NOTES</u>	<u>MUNICIPAL SECURITIES</u>
Balance December 31, 2023	\$ 13,500	\$ 70,934
Provision for credit losses	(3,420)	(8,405)
Balance December 31, 2024	<u>\$ 10,080</u>	<u>\$ 62,529</u>
	<u>CORPORATE NOTES</u>	<u>MUNICIPAL SECURITIES</u>
Balance December 31, 2022	\$ -	\$ -
Adjustment for adoption of ASC 326	21,120	84,509
Provision for credit losses	(7,620)	(13,575)
Balance December 31, 2023	<u>\$ 13,500</u>	<u>\$ 70,934</u>

The following table shows a rollforward of the allowance for credit losses on held to maturity securities for the twelve months ended December 31, 2024 and 2023:

	<u>CORPORATE NOTES</u>
Balance December 31, 2023	\$ -
Provision for credit losses	\$ 84,327
Balance December 31, 2024	<u>\$ 84,327</u>
	<u>CORPORATE NOTES</u>
Balance December 31, 2022	\$ -
Provision for credit losses	\$ -
Balance December 31, 2023	<u>\$ -</u>

4. Loans Receivable

Loans receivable include the following at December 31:

	<u>2024</u>	<u>2023</u>
Commercial and industrial	\$ 163,788,714	\$ 177,703,039
Real estate - commercial	363,642,750	389,737,990
Real estate - construction	10,192,974	29,835,917
Real estate - residential	206,051,759	145,605,624
Consumer and other	<u>24,233,197</u>	<u>26,847,526</u>
Loans, gross	767,909,394	769,730,096
Deferred loan (fees)/costs, net	<u>(11,850)</u>	<u>13,785</u>
Loans receivable	767,897,544	769,743,881
Allowance for credit losses	<u>(6,534,757)</u>	<u>(10,519,335)</u>
Loans, net	<u>\$ 761,362,787</u>	<u>\$ 759,224,546</u>

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: 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 solar panel loans, 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 percent.

An analysis of the allowance for credit 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 2024	COMMERCIAL & INDUSTRIAL	REAL ESTATE - COMMERCIAL	REAL ESTATE - CONSTRUCTION	REAL ESTATE - RESIDENTIAL	CONSUMER	TOTAL
Allowance for Credit Losses						
Beginning balance	\$ 2,601,443	\$ 5,860,063	\$ 667,111	\$ 768,624	\$ 622,094	\$ 10,519,335
Charge-offs	(2,066,121)	(727,748)	-	-	(539,708)	(3,333,577)
Recoveries	10,935	-	-	-	52,490	63,425
Provision	1,049,639	(2,161,720)	(552,478)	544,430	405,703	(714,426)
Ending Balance	\$ 1,595,896	\$ 2,970,595	\$ 114,633	\$ 1,313,054	\$ 540,579	\$ 6,534,757
Loans Receivable						
Ending Balance	\$163,788,714	\$363,642,750	\$10,192,974	\$206,051,759	\$24,233,197	\$767,909,394
YEAR 2023	COMMERCIAL & INDUSTRIAL	REAL ESTATE - COMMERCIAL	REAL ESTATE - CONSTRUCTION	REAL ESTATE - RESIDENTIAL	CONSUMER	TOTAL
Allowance for Credit Losses						
Beginning balance	\$ 1,423,213	\$ 4,517,637	\$ 535,005	\$ 692,107	\$ 446,158	\$ 7,614,120
Impact of Adopting ACS 326	(46,437)	(1,108,788)	529,364	(158,949)	307,178	(477,632)
Charge-offs	(983,951)	(628,853)	-	-	(893,049)	(2,505,853)
Recoveries	-	-	-	-	-	-
Provision	2,208,618	3,080,067	(397,258)	235,466	761,807	5,888,700
Ending Balance	\$ 2,601,443	\$ 5,860,063	\$ 667,111	\$ 768,624	\$ 622,094	\$ 10,519,335
Loans Receivable						
Ending Balance	\$177,703,039	\$389,737,990	\$ 29,835,917	\$145,605,624	\$ 26,847,526	\$769,730,096

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

	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
YEAR 2024							
Commercial and industrial	\$ 265,352	\$ 359,126	\$8,069,643	\$ 8,694,121	\$155,094,593	\$163,788,714	\$ 8,069,643
Real estate - commercial	3,455,951	2,680,041	-	6,135,992	357,506,758	363,642,750	3,172,070
Real estate - construction	1,141,182	-	-	1,141,182	10,192,974	11,334,156	1,141,182
Real estate - residential	965,074	-	1,302,801	2,267,875	203,783,884	206,051,759	1,302,801
Consumer	-	-	-	-	24,233,197	24,233,197	-
TOTALS	\$5,827,559	\$3,039,167	\$9,372,444	\$18,239,170	\$750,811,406	\$769,050,576	\$13,685,696
YEAR 2023							
Commercial and industrial	\$ -	\$ 964,112	\$ 4,387,152	\$ 5,351,264	\$172,351,775	\$177,703,039	\$ 4,387,152
Real estate - commercial	3,327,663	-	5,652,748	8,980,411	380,757,579	389,737,990	5,652,748
Real estate - construction	272,701	-	-	272,701	29,563,216	29,835,917	-
Real estate - residential	334,596	-	1,430,032	1,764,628	143,840,996	145,605,624	1,430,032
Consumer	-	-	-	-	26,847,526	26,847,526	-
TOTALS	\$ 3,934,960	\$ 964,112	\$11,469,932	\$16,369,004	\$753,361,092	\$769,730,096	\$11,469,932

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2024 and 2023:

	NONACCRUAL WITH NO ALLOWANCE FOR CREDIT LOSS	NONACCRUAL WITH ALLOWANCE FOR CREDIT LOSS	LOANS PAST DUE OVER 89 DAYS STILL ACCRUING
YEAR 2024			
Commercial and industrial	\$ 7,368,769	\$ 700,874	\$ -
Real estate - commercial	3,172,070	-	-
Real estate - construction	1,141,182	-	-
Real estate - residential	1,302,801	-	-
Consumer	-	-	-
TOTALS	\$ 12,984,822	\$ 700,874	\$ -
YEAR 2023			
Commercial and industrial	\$ 1,903,692	\$ 2,483,460	\$ -
Real estate - commercial	525,000	5,127,748	-
Real estate - construction	-	-	-
Real estate - residential	1,430,032	-	-
Consumer	-	-	-
TOTALS	\$ 3,858,724	\$ 7,611,208	\$ -

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023:

	REAL ESTATE	BUSINESS ASSETS
YEAR 2024		
Commercial and industrial	\$ -	\$ 7,870,364
Real estate - commercial	6,200,059	-
Real estate - construction	1,141,182	-
Real estate - residential	1,882,454	-
Consumer	-	-
TOTALS	\$ 9,223,695	\$ 7,870,364
YEAR 2023		
Commercial and industrial	\$ -	\$ 2,483,460
Real estate - commercial	5,127,748	-
Real estate - construction	-	-
Real estate - residential	-	-
Consumer	-	-
TOTALS	\$ 5,127,748	\$ 2,483,460

Cash basis income recognized on non-accruals loans approximates interest income recognized as of December 31, 2024 and 2023. 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:

Term Loan Amortized Cost Basis by Origination Year

AS OF DECEMBER 2024	2024	2023	2022	PRIOR	TOTAL
Commercial and industrial					
Risk Rating					
Pass	\$36,833,329	\$48,188,962	\$28,074,284	\$33,525,243	\$146,621,818
Special Mention	1,476,405	1,677,983	2,001,778	4,153,365	9,309,531
Substandard	-	1,108,461	604,147	2,967,738	4,680,346
Doubtful	-	-	3,177,019	-	3,177,019
Loss	-	-	-	-	-
TOTALS	\$38,309,734	\$50,975,406	\$33,857,228	\$40,646,346	\$163,788,714
Current Period gross write offs	\$ -	\$ -	\$ -	\$ 2,066,121	\$ 2,066,121
AS OF DECEMBER 2024	2024	2023	2022	PRIOR	TOTAL
Real Estate - commercial					
Risk Rating					
Pass	\$ 5,057,381	\$ 22,395,217	\$ 48,025,173	\$271,139,327	\$346,617,098
Special Mention	-	-	4,987,668	5,837,925	10,825,593
Substandard	-	-	-	6,200,059	6,200,059
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
TOTALS	\$ 5,057,381	\$ 22,395,217	\$ 53,012,841	\$283,177,311	\$363,642,750
Current Period gross write offs	\$ -	\$ -	\$ -	\$ 727,748	\$ 727,748
AS OF DECEMBER 2024	2024	2023	2022	PRIOR	TOTAL
Real Estate - construction					
Risk Rating					
Pass	\$ 2,613,634	\$ 1,561,338	\$ 2,735,550	\$ 2,141,270	\$ 9,051,792
Special Mention	-	-	-	-	-
Substandard	-	-	1,141,182	-	1,141,182
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
TOTALS	\$ 2,613,634	\$ 1,561,338	\$ 3,876,732	\$ 2,141,270	\$10,192,974
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -

AS OF DECEMBER 2024	2024	2023	2022	PRIOR	TOTAL
Real Estate - residential					
Risk Rating					
Pass	\$ 66,677,914	\$ 55,862,833	\$ 38,002,832	\$43,625,726	\$204,169,305
Special Mention	-	-	-	-	-
Substandard	-	1,302,801	-	579,653	1,882,454
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
TOTALS	\$ 66,677,914	\$ 57,165,634	\$ 38,002,832	\$44,205,379	\$206,051,759
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -

AS OF DECEMBER 2024	2024	2023	2022	PRIOR	TOTAL
Consumer					
Risk Rating					
Pass	\$ 212,124	\$ 714,508	\$ 259,105	\$ 23,047,460	\$ 24,233,197
Special Mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
TOTALS	\$ 212,124	\$ 714,508	\$ 259,105	\$ 23,047,460	\$ 24,233,197
Current Period gross write offs	\$ -	\$ -	\$ -	\$ 539,708	\$ 539,708

Term Loan Amortized Cost Basis by Origination Year

AS OF DECEMBER 2023	2023	2022	2021	PRIOR	TOTAL
Commercial and industrial					
Risk Rating					
Pass	\$62,902,476	\$38,971,700	\$11,253,007	\$34,806,463	\$147,933,646
Special Mention	-	2,698,365	4,607,254	2,514,334	9,819,953
Substandard	-	1,409,997	4,662,660	11,979,856	18,052,513
Doubtful	-	1,896,927	-	-	1,896,927
Loss	-	-	-	-	-
TOTALS	\$62,902,476	\$44,976,989	\$20,522,921	\$49,300,653	\$177,703,039
Current Period gross write offs	\$ -	\$ -	\$ -	\$ 983,951	\$ 983,951

AS OF DECEMBER 2023	2023	2022	2021	PRIOR	TOTAL
Real Estate - commercial					
Risk Rating					
Pass	\$ 23,746,053	\$ 57,000,675	\$ 78,138,200	\$202,672,384	\$361,557,312
Special Mention	-	5,417,198	473,494	11,194,084	17,084,776
Substandard	-	2,332,490	360,880	3,274,784	5,968,154
Doubtful	-	-	-	5,127,748	5,127,748
Loss	-	-	-	-	-
TOTALS	\$ 23,746,053	\$ 64,750,363	\$ 78,972,574	\$222,269,000	\$389,737,990
Current Period gross write offs	\$ -	\$ -	\$ -	\$ 628,853	\$ 628,853

AS OF DECEMBER 2023	2023	2022	2021	PRIOR	TOTAL
Real Estate - construction					
Risk Rating					
Pass	\$ 1,335,851	\$ 6,844,611	\$ 17,760,383	\$ 2,034,936	\$27,975,781
Special Mention	-	1,860,136	-	-	1,860,136
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
TOTALS	\$ 1,335,851	\$ 8,704,747	\$ 17,760,383	\$ 2,034,936	\$29,835,917
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -

AS OF DECEMBER 2023	2023	2022	2021	PRIOR	TOTAL
Real Estate - residential					
Risk Rating					
Pass	\$ 63,654,602	\$ 39,455,300	\$ 12,324,800	\$28,740,891	\$144,175,593
Special Mention	-	-	-	-	-
Substandard	1,302,801	127,231	-	-	1,430,032
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
TOTALS	\$ 64,957,403	\$ 39,582,531	\$ 12,324,800	\$28,740,891	\$145,605,625
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -

AS OF DECEMBER 2023	2023	2022	2021	PRIOR	TOTAL
Consumer					
Risk Rating					
Pass	\$ 952,759	\$ 360,215	\$ 18,568,047	\$ 6,966,505	\$ 26,847,526
Special Mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
TOTALS	\$ 952,759	\$ 360,215	\$ 18,568,047	\$ 6,966,505	\$ 26,847,526
Current Period gross write offs	\$ -	\$ -	\$ -	\$ 893,049	\$ 893,049

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness or term extension. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

As of December 31, 2024 and 2023, the Company did not modify loans in this manner.

OTHER MATTERS

Loans to principal officers, directors, and their affiliates were \$7,119,277 and \$8,822,736 on December 31, 2024 and 2023, respectively. There were no new loans made to such related parties and repayments amounted to \$992,608 in 2024. No loans paid off during the year ended December 31, 2024.

5. Premises and Equipment

Premises and equipment include the following as of December 31:

	2024	2023
Furniture and equipment	\$ 1,533,495	\$ 1,533,495
Leasehold improvements	1,502,983	1,502,983
Software	181,211	181,211
Total Cost	3,217,689	3,217,689
Less accumulated depreciation	(2,449,916)	(2,338,732)
NET BANK PREMISES AND EQUIPMENT	\$ 767,773	\$ 878,957

Depreciation and amortization of Company premises and equipment charged to expense amounted to \$111,184 and \$144,432 in 2024 and 2023, respectively.

6. Other Assets

Other Assets include the following as of December 31:

	2024	2023
Investment in limited partnership - Small Business Investment Company	\$ 5,327,098	\$ 5,116,803
Investment in limited partnership - Low Income Housing Investment Fund	3,451,779	3,906,469
Accounts receivable	1,950,585	623,055
Interest rate lock commitment	52,867	87,551
Prepaid expenses	1,352,562	1,394,342
Fair value of derivative instruments	3,968,270	5,238,826
Other assets	196,592	1,063,773
TOTAL	\$16,299,753	\$17,430,819

The Company has committed \$5.0 million to three separate investments in a Small Business Investment Company. The Company has elected to account for these investments 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. As of December 31, 2024, the outstanding commitment was \$1,695,985. During the years ended December 31, 2024 and December 31, 2023, the Company had received and paid capital calls of \$915,345 and \$1,265,649 respectively.

The Company committed \$5.0 million to a Low Income Housing Tax Credit ("LIHTC") investments. The partnerships were 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 these limited partnerships 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 which was \$881,885 as of December 31, 2024. During the years ended December 31, 2024 and December 31, 2023, the Company had received and paid capital calls of \$600,625 and \$1,070,547, respectively.

7. Deposits

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

2025	\$ 207,261,508
2026	51,958,217
2027	19,438,897
2028	12,278,110
2029	5,015,019
THEREAFTER	651,391
TOTAL	\$ 296,603,142

Time deposits in denominations that meet or exceed the FDIC minimum limit of \$250,000 or more totaled \$12,158,420 and \$28,147,769 as of December 31, 2024 and 2023, respectively.

The Company held related party deposits of \$12,157,246 and \$10,370,982 as of December 31, 2024 and 2023, respectively.

8. Borrowings and Advances

The Company's borrowings from the Federal Home Loan Bank of Atlanta (FHLB) were \$65 million and \$35.0 million on December 31, 2024 and 2023, respectively. On December 31, 2024 and 2023, the weighted average rates on FHLB advances were 4.93% and 4.87%, respectively. These advances were secured by a blanket collateral agreement with the FHLB pledging the Company's portfolio of residential first mortgage loans, commercial real estate loans and investment securities with a collateral value of \$153.9 million and \$116.7 million, respectively.

FHLB advances are subject to prepayment penalties. During the year ended December 31, 2024 and 2023, 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 \$40 million and \$20.0 million in callable FHLB advances as of December 31, 2024 and 2023, respectively.

The Company's borrowings from the Federal Reserve Board (FRB) were \$0.0 million and \$15.0 million as of December 31, 2024 and 2023, respectively. These advances were secured by a blanket collateral agreement with the FRB pledging the Company's portfolio of commercial loans and investment securities with a collateral value of \$78.7 million and \$102.9, respectively.

Advances from the FHLB and FRB are summarized by year of maturity and weighted average interest rate at December 31, 2024:

	<u>AMOUNT</u>	<u>WEIGHTED AVERAGE RATE</u>
2025	\$ 65,000,000	4.93%
2026	-	N/A
2027	-	N/A
2028	-	N/A
2029	-	N/A
THEREAFTER	-	N/A
TOTAL	<u><u>\$ 65,000,000</u></u>	

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 \$0.16 million and \$0.27 million on December 31, 2024 and 2023, respectively. The weighted average rate on PPPLF advances was 0.35% as of December 31, 2024 and 2023.

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 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 \$19,850,643 and \$19,752,719 for on December 31, 2024 and 2023.

10. Other Liabilities

Other liabilities include the following as of December 31:

	<u>2024</u>	<u>2023</u>
Unfunded commitment in limited partnership - Small Business Investment Company	\$ 1,695,985	\$ 2,606,827
Unfunded commitment in limited partnership - Low Income Housing Investment Fund	881,885	1,482,510
Accrued expenses	1,696,412	1,791,997
Automated Clearing House (ACH) transactions pending	1,446,003	1,404,609
Accounts payable	139,195	82,546
Fair value of derivative instruments	3,038,009	3,789,983
Other liabilities	1,025,429	342,747
TOTAL	<u>\$ 9,922,918</u>	<u>\$ 11,501,219</u>

11. Income Taxes

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

	<u>2024</u>	<u>2023</u>
Deferred Tax Assets		
Allowance for credit losses	\$ 1,447,670	\$ 2,331,454
Unearned loan fees and costs, net	1,598	-
Accrued compensation	217,431	247,239
Non-accrual loan interest	-	-
Unrealized losses on securities	5,509,390	5,466,521
Restricted stock	145,248	126,400
Lease liability	446,150	426,796
Tax credits	419,333	-
Other	215,020	21,866
	<u>8,401,840</u>	<u>8,620,276</u>
Deferred Tax Liabilities		
Depreciation	129,375	147,991
Unearned loan fees and costs, net	-	4,887
Unrealized gains on cash flow hedges	213,707	323,452
Right-of-use asset	415,244	440,406
Interest rate lock	14,810	19,404
Other	68,263	50,296
	<u>841,399</u>	<u>986,436</u>
NET DEFERRED TAX ASSET	<u>\$ 7,560,441</u>	<u>\$7,633,840</u>

Income tax expense (benefit) was as follows:

	<u>2024</u>	<u>2023</u>
Current tax expense		
Federal	\$ 628,129	\$ 275,373
State	34,707	51,926
Deferred tax expense (benefit)		
Federal	160,501	(440,136)
State	65,511	(33,456)
	<u>\$ 888,848</u>	<u>\$ (146,293)</u>

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

	<u>2024</u>	<u>2023</u>
Federal statutory rate times financial statement income	\$1,175,820	\$ 456,204
Effect of:		
State income taxes, net of federal benefit	79,173	14,591
Tax-exempt interest income, net of disallowance	(37,976)	(40,607)
Earnings from bank-owned life insurance	(174,149)	(190,458)
Unrecognized tax benefits, net	-	-
Stock compensation	24,939	(17,204)
Low-income housing investment benefit	(122,659)	(117,038)
Other	(56,300)	(251,781)
	<u>\$ 888,848</u>	<u>\$ (146,293)</u>

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, 2020.

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, 2024, 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, 2024 and 2023 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, 2024						
Total capital (to risk-weighted assets)						
Freedom Financial Holdings, Inc.	\$125,014,845	14.49%	\$90,583,185	10.50%	N/A	N/A
The Freedom Bank of Virginia	\$123,807,689	14.35%	\$90,583,185	10.50%	\$86,269,700	10.00%
Tier 1 capital (to risk-weighted assets)						
Freedom Financial Holdings, Inc.	\$99,680,089	11.55%	\$73,329,245	8.50%	N/A	N/A
The Freedom Bank of Virginia	\$117,077,252	13.57%	\$73,329,245	8.50%	\$69,015,760	8.00%
Common Equity Tier 1 (to risk-weighted assets)						
Freedom Financial Holdings, Inc.	\$99,680,089	11.55%	\$60,388,790	7.00%	N/A	N/A
The Freedom Bank of Virginia	\$117,077,252	13.57%	\$60,388,790	7.00%	\$56,075,305	6.50%
Tier 1 capital (to adjusted average assets)						
Freedom Financial Holdings, Inc.	\$99,680,089	8.84%	\$45,098,836	4.00%	N/A	N/A
The Freedom Bank of Virginia	\$117,077,252	10.39%	\$45,071,232	4.00%	\$56,339,040	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, 2023						
Total capital (to risk-weighted assets)						
Freedom Financial Holdings, Inc.	\$124,262,404	13.83%	\$ 94,370,288	10.50%	N/A	N/A
The Freedom Bank of Virginia	\$124,215,634	13.82%	\$ 94,370,288	10.50%	\$ 89,876,465	10.00%
Tier 1 capital (to risk-weighted assets)						
Freedom Financial Holdings, Inc.	\$ 94,943,069	10.56%	\$ 76,394,995	8.50%	N/A	N/A
The Freedom Bank of Virginia	\$113,696,299	12.65%	\$ 76,394,995	8.50%	\$ 71,901,172	8.00%
Common Equity Tier 1 (to risk-weighted assets)						
Freedom Financial Holdings, Inc.	\$ 94,943,069	10.56%	\$ 62,913,526	7.00%	N/A	N/A
The Freedom Bank of Virginia	\$113,696,299	12.65%	\$ 62,913,526	7.00%	\$ 58,419,702	6.50%
Tier 1 capital (to adjusted average assets)						
Freedom Financial Holdings, Inc.	\$ 94,943,069	8.56%	\$ 44,342,383	4.00%	N/A	N/A
The Freedom Bank of Virginia	\$113,696,299	10.26%	\$ 44,329,221	4.00%	\$ 55,411,526	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, 2024, \$17,592,551 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 \$70 million and \$50 million as of December 31, 2024 and 2023, respectively, were designated as cash flow hedges on certain brokered deposits and variable rate loans 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.

Fair Value Hedges: Interest rate swaps with notional amounts totaling \$30 million as of December 31, 2024 and 2023, were designated as fair value portfolio layer hedges of certain fixed rate loans. The hedges were determined 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, 2024 and 2023 were \$23,619,067 and \$24,417,499, 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, 2024.

LINE ITEM IN THE BALANCE SHEET IN WHICH THE HEDGED ITEM IS INCLUDED	CARRYING AMOUNT OF THE HEDGED ASSETS/ (LIABILITIES)		CUMULATIVE AMOUNT OF FAIR VALUE HEDGING ADJUSTMENT INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ASSET/(LIABILITY)	
	2024	2023	2024	2023
Loans Receivable ^(a)	\$ 50,000,000	\$ 30,000,000	\$ -	\$ -
Brokered Deposits	\$ (40,000,000)	\$ (40,000,000)	\$ -	\$ -
Brokered Time Deposits	\$ (10,000,000)	\$ (10,000,000)	\$ -	\$ -

^(a) These amounts represent the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. At December 2024, the amortized cost basis of the closed portfolios used in these hedging relationships was \$75,441,411.

Interest income from the fair value hedge was netted against interest expense thus reducing interest expense by \$208,738 and \$79,933 for the years 2024 and 2023 respectively.

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:

	2024		2023	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Included in other assets:				
Derivatives designated as hedging Instruments:				
Interest rate swaps related loans receivable Fixed	\$ -	\$ -	\$ 30,000,000	\$ 11,278
Interest rate swaps related loans receivable Variable	20,000,000	42,202	-	-
Interest rate swaps related to brokered deposits	40,000,000	740,302	40,000,000	888,868
Interest rate swaps related to brokered time deposits	10,000,000	167,307	10,000,000	548,697
Derivatives not designated as hedging Instruments:				
Interest rate swaps related to customer loans	23,619,067	3,038,009	24,417,499	3,789,983
	<u>\$ 93,619,067</u>	<u>\$ 3,987,820</u>	<u>\$ 104,417,499</u>	<u>\$ 5,238,826</u>
Included in other liabilities:				
Derivatives designated as hedging Instruments:				
Interest rate swaps related loans receivable Fixed	\$ 30,000,000	\$ (19,550)	\$ -	\$ -
Derivatives not designated as hedging Instruments:				
Interest rate swaps related to brokered time deposits	23,619,067	3,038,009	24,417,499	3,789,983
	<u>\$ 53,619,067</u>	<u>\$ 3,018,459</u>	<u>\$ 24,417,499</u>	<u>\$ 3,789,983</u>

The effect of cash flow hedge accounting on accumulated other comprehensive income, net of taxes, for the years ended December 31 are as follows, net of taxes:

	2024		
	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	\$ 736,104	N/A	\$ -
	2023		
	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	\$ 1,114,112	N/A	\$ -

For the years ended December 31, 2024 and 2023 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, 2024:

	<u>AUTHORIZED</u>	<u>GRANTED</u>	<u>CANCELLED</u>
2007 Plan	1,075,280	1,400,112	378,473

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. As of December 31, 2024 and 2023, there was no remaining amortization expense to be recognized on outstanding stock options.

The intrinsic value of options exercised during 2024 was \$5,324. There were no options exercised in 2023. The weighted average remaining contractual life of options outstanding was 1.43 and 1.64 years for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024 all outstanding options are fully vested. The intrinsic value of these fully vested options on December 31, 2024 was \$52,956.

The following summarizes the option activity under the Plan:

	<u>NUMBER OF SHARES</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE</u>
BALANCE AT JANUARY 1, 2023	32,446	\$ 8.30
Grants	-	-
Exercised	-	-
Expired	-	-
Forfeited	-	-
BALANCE AT DECEMBER 31, 2023	<u>32,446</u>	<u>\$ 8.30</u>
Grants	-	-
Exercised	1,575	7.85
Expired	5,908	8.04
Forfeited	-	-
BALANCE AT DECEMBER 31, 2024	<u><u>14,963</u></u>	<u><u>\$ 8.61</u></u>

There were no stock options granted during the years ended December 31, 2024 and 2023.

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, 2024, 96,950 voting common shares of restricted stock were granted to Company employees as part of a time-based restricted stock agreement with a weighted fair value of \$10.62 at the date of grant. These restricted shares cliff vest over a three year period based on their date of grant.

At December 31, 2024, there was \$745,319 in unrecognized compensation expense related to non-vested restricted stock awards that are expected to be recognized over a weighted average period of 2.78 years. At December 31, 2023, there was \$665,940 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, 2022	72,069	\$12.36
Grants	71,352	14.67
Vested	(48,760)	12.79
Expired	-	-
Forfeited	(5,668)	14.07
BALANCE AT DECEMBER 31, 2022	88,993	\$13.86
Grants	96,950	10.62
Vested	(47,212)	12.66
Expired	-	-
Forfeited	(20,699)	13.01
BALANCE AT DECEMBER 31, 2023	118,032	\$11.83

For the years ended December 31, 2024 and 2023, the Company recognized \$685,682 and \$791,304 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 mortgage operations facilities. The Company's leases have remaining terms ranging from eleven months to one hundred and three 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, 2024	DEC. 31, 2023
Right-of-use assets: Operating leases	Right-of-use asset	\$ 1,874,403	\$ 1,987,075
Lease liabilities: Operating leases	Lease liability	\$ 2,013,912	\$ 1,925,671

Lease Expense

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

	DECEMBER 31, 2024	DECEMBER 31, 2023
Operating lease cost	\$ 606,201	\$ 712,873

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2024 are as follows:

	OPERATING LEASE
2025	\$ 731,757
2026	250,298
2027	256,584
2028	263,030
2029	261,083
THEREAFTER	766,135
Total undiscounted lease payments	2,528,887
Less: imputed interest	514,975
Net lease liabilities	\$ 2,013,912

Supplemental Lease Information

	DECEMBER 31, 2024	DECEMBER 31, 2023
Operating lease weighted average remaining lease term (years)	5.58	5.85
Operating lease weighted average discount rate	2.15%	1.15%

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 fair value measurement level of the asset 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 individual 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:

	<u>FAIR VALUE</u>	<u>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</u>	<u>SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)</u>	<u>SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)</u>
2024				
Available-for-sale securities	\$209,687,859	\$ -	\$209,187,859	\$ 500,000
Interest rate lock commitment	52,867	-	-	52,867
Cash flow derivatives	949,811	-	949,811	-
Fair value derivatives	(19,550)	-	(19,550)	-
Servicing rights asset	152,479	-	152,479	-
	<u>\$210,823,466</u>	<u>\$ -</u>	<u>\$210,270,599</u>	<u>\$ 552,867</u>
2023				
Available-for-sale securities	\$211,263,518	\$ -	\$210,763,518	\$ 500,000
Interest rate lock commitment	87,551	-	-	87,551
Cash flow derivatives	1,437,565	-	1,437,565	-
Fair value derivatives	11,278	-	11,278	-
Servicing rights asset	196,317	-	196,317	-
	<u>\$212,996,229</u>	<u>\$ -</u>	<u>\$212,408,678</u>	<u>\$ 587,551</u>

The following table represents recurring level III assets:

	AVAILABLE-FOR-SALE SECURITIES	INTEREST RATE LOCK COMMITMENT
BALANCE AT JANUARY 1, 2023	\$ 500,000	\$ 49,351
Realized and unrealized gains included in earnings	-	38,200
Purchase of securities	-	-
Sales, maturities, calls, and paydowns of securities	-	-
Transfer to (from) Level III Assets	-	-
Unrealized gain/(loss) included in other comprehensive income	-	-
Unrealized gain/(loss) not included in other comprehensive income	-	-
BALANCE AT DECEMBER 31, 2023	\$ 500,000	\$ 87,551
Realized and unrealized gains included in earnings	-	(34,684)
Purchase of securities	-	-
Sales, maturities, calls, and paydowns of securities	-	-
Transfer to (from) Level III Assets	-	-
Unrealized gain/(loss) included in other comprehensive income	-	-
Unrealized gain/(loss) not included in other comprehensive income	-	-
BALANCE AT DECEMBER 31, 2024	\$ 500,000	\$ 52,867

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:

INDIVIDUALLY EVALUATED LOANS:

The fair value of impaired loans with specific allocations of the allowance for credit 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.

Assets that were measured at fair value on a nonrecurring basis are summarized below:

	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
2024				
Individually evaluated loans				
Commercial and industrial	\$ 550,874	-	-	\$ 550,874
2023				
Individually evaluated loans				
Commercial and industrial	\$ 1,525,525	-	-	\$ 1,525,525
Real estate - commercial	\$ 2,500,000	-	-	\$ 2,500,000

The following table presents quantitative information about level 3 fair value measurements for assets measured at fair value on a non-recurring basis as of December 31, 2023:

DECEMBER 31, 2024

<u>LEVEL 3 INSTRUMENTS ONLY</u>	<u>FAIR VALUE</u>	<u>VALUATION TECHNIQUES</u>	<u>UNOBSERVABLE INPUTS</u>	<u>RANGE (WEIGHTED-AVERAGE)</u>
Loans - Commercial and Industrial	\$ 550,874	Market Approach	Adjustment for differences between comparable sales	10%-50% (25%)

DECEMBER 31, 2023

<u>LEVEL 3 INSTRUMENTS ONLY</u>	<u>FAIR VALUE</u>	<u>VALUATION TECHNIQUES</u>	<u>UNOBSERVABLE INPUTS</u>	<u>RANGE (WEIGHTED-AVERAGE)</u>
Loans - Commercial and Industrial	\$ 1,525,525	Market Approach	Adjustment for differences between comparable sales	10%-50% (25%)
Loans - Real estate - Commercial	\$ 2,500,000	Consensus asset sale pricing	Adjustment for differences between comparable estate sales	6%-10% (8%)

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, 2024 USING

	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Cash and due from banks	\$ 5,685,008	\$ 5,685,008	\$ -	\$ -	\$ 5,685,008
Interest bearing deposits with banks					
Securities available-for-sale	23,004,874	23,004,874	-	-	23,004,874
Securities held-to-maturity	209,687,859	-	209,187,859	500,000	209,687,859
Loans held for sale	20,315,651	-	18,230,385	-	18,230,385
Loans receivable, net	5,963,969	-	6,016,836	-	6,016,836
Accrued interest receivable	761,362,787	-	-	755,320,000	755,320,000
Interest rate lock commitment	4,155,077	4,155,077	-	-	4,155,077
Cash flow derivative	52,867	-	52,867	-	52,867
Fair value derivative	949,811	-	949,811	-	949,811
TOTAL FINANCIAL ASSETS	<u>\$1,031,177,903</u>	<u>\$32,844,959</u>	<u>\$234,437,758</u>	<u>\$755,820,000</u>	<u>\$1,023,102,717</u>
Financial liabilities					
Demand deposits	\$ 612,928,552	\$ 612,928,552	\$ -	\$ -	\$612,928,552
Time deposits	296,603,142	-	297,218,000	-	297,218,000
Borrowings	65,000,000	-	64,777,626	-	64,777,626
PPP liquidity facility advances	-	-	-	-	-
Subordinated debt, net of issuance costs	19,850,643	-	17,014,780	-	17,014,780
Accrued interest payable	2,445,742	2,445,742	-	-	2,445,742
Accrued interest payable	19,550	-	19,550	-	19,550
TOTAL FINANCIAL LIABILITIES	<u>\$ 996,847,629</u>	<u>\$ 615,374,294</u>	<u>\$379,029,956</u>	<u>\$ -</u>	<u>\$994,404,250</u>

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2023 USING

	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Cash and due from banks	\$ 2,442,050	\$ 2,442,050	\$ -	\$ -	\$ 2,442,050
Interest bearing deposits with banks	21,806,078	21,806,078	-	-	21,806,078
Securities available-for-sale	211,263,518	-	210,763,518	500,000	211,263,518
Securities held-to-maturity	20,114,269	-	17,611,533	-	17,611,533
Loans held for sale	6,663,929	-	6,751,480	-	6,751,480
Loans receivable, net	759,224,546	-	-	757,572,000	757,572,000
Accrued interest receivable	3,721,730	3,721,730	-	-	3,721,730
Interest rate lock commitment	87,551	-	-	87,551	87,551
Cash flow derivative	11,278	-	11,278	-	11,278
Fair value derivative	1,437,565	-	1,437,565	-	1,437,565
TOTAL FINANCIAL ASSETS	\$1,026,772,514	\$27,969,858	\$236,575,374	\$758,159,551	\$1,022,704,783
Financial liabilities					
Demand deposits	\$667,416,278	\$667,416,278	\$ -	\$ -	\$667,416,278
Time deposits	253,641,860	-	256,759,000	-	256,759,000
Borrowings	50,000,000	-	49,753,172	-	49,753,172
PPP liquidity facility advances	270,576	-	270,576	-	270,576
Subordinated debt, net of issuance costs	19,752,719	-	16,231,007	-	16,231,007
Accrued interest payable	2,842,646	2,842,646	-	-	2,842,646
TOTAL FINANCIAL LIABILITIES	\$993,924,079	\$670,258,924	\$323,013,755	\$ -	\$993,272,679

17. 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:

	2024	2023
Commitments to extend credit	\$ 133,109,353	\$ 139,340,178
Standby letters of credit	\$ 960,818	\$ 4,796,487

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 \$312,031 and \$306,755 for the years ended December 31, 2024 and 2023, 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 COMPREHEN- SIVE (LOSS)
BALANCE AT JANUARY 1, 2023	\$ (18,993,006)	\$ 1,879,619	\$ (17,113,387)
Unrealized losses net of tax of (\$47,579)	163,881	-	163,881
Reclassification for gains on sales net of tax	-	-	-
Unrealized gain on cash flow derivative, net of tax of (\$176,194)	-	(765,509)	(765,509)
BALANCE AT DECEMBER 31, 2023	\$ (18,829,125)	\$ 1,114,110	\$ (17,715,015)
Unrealized losses net of tax of (\$42,869)	(147,660)	-	(147,660)
Reclassification for gains on sales net of tax	-	-	-
Unrealized gain on cash flow derivative, net of tax of (\$109,744)	-	(378,008)	(378,008)
BALANCE AT DECEMBER 31, 2024	\$ (18,976,785)	\$ 736,102	\$ (18,240,683)

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
2024		
Unrealized gains and losses on available-for-sale securities		
Realized gains on securities available-for-sale	\$ -	Gain on Sale of Investment Securities
Credit loss expense	-	N/A
Total before tax	-	
Tax effect	-	Income Tax Expense
Net of Tax	\$ -	
2023		
Unrealized gains and losses on available-for-sale securities		
Realized gains on securities available-for-sale	\$ -	Gain on Sale of Investment Securities
Credit loss expense	-	N/A
Total before tax	-	
Tax effect	-	Income Tax Expense
Net of Tax	\$ -	

20. Related Party Transactions

For the years ended December 31, 2024 and 2023, 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. The Company-paid no fees directly for the years ended December 31, 2024 and 2023.

21. Parent Company Condensed Financial Information

BALANCE SHEETS

As of December 31

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 1,309,401	\$ 65,035
Investment in Bank Subsidiary	98,989,082	96,177,602
Other Assets	1,338,339	878,409
TOTAL ASSETS	<u>\$101,636,822</u>	<u>\$ 97,121,046</u>
LIABILITIES		
Subordinated Debt (net of issuance costs)	\$ 19,850,643	\$ 19,752,719
Other Liabilities	346,739	140,273
Total Stockholders' Equity	81,439,440	77,228,054
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$101,636,822</u>	<u>\$ 97,121,046</u>

STATEMENT OF OPERATIONS

Years Ended December 31

	<u>2024</u>	<u>2023</u>
Interest Income	-	-
Total Interest Income	\$ -	\$ -
Interest Expense	777,922	777,925
Total Interest Expense	\$ 777,922	\$ 777,925
Total Interest Income (Loss)	\$ (777,922)	\$ (777,925)
Non-Interest Income	-	-
Total Non-interest Income	\$ -	\$ -
Non-Interest Expenses	1,351,020	1,117,721
Income (loss) before income tax and undistributed net income of bank subsidiary	\$ (2,128,942)	\$ (1,895,646)
Income tax benefit	447,078	398,086
Income (loss) before undistributed net income of bank subsidiary	\$ (1,681,864)	\$ (1,497,560)
Equity in undistributed net income of bank subsidiary	6,392,115	3,816,257
NET INCOME	<u>\$ 4,710,251</u>	<u>\$ 2,318,697</u>

STATEMENTS OF CASH FLOWS

Years Ended December 31

	2024	2023
OPERATING ACTIVITIES		
Net income	\$ 4,710,251	\$ 2,318,697
Equity in undistributed net income of bank subsidiary	(6,392,115)	(3,816,257)
Adjustments to reconcile net income to net cash provided by		
Operating Activities	97,924	77,925
Share-Based Compensation	685,682	791,304
Decrease/(increase) in:		
Intercompany Receivable	-	-
Income Tax Receivable	(447,078)	(398,086)
Other Assets	(12,852)	(31,581)
Increase (decrease) in:		
Intercompany Payable	(65,842)	(483,586)
Accrued Interest Payable	-	-
Other Liabilities	184,290	25,951
Net Cash Provided by Operating Activities	\$ (1,239,740)	\$ (1,515,633)
INVESTING ACTIVITIES		
Investment in Subsidiaries	3,055,000	1,600,000
Net Cash Used in Investing Activities	\$ 3,055,000	\$ 1,600,000
FINANCING ACTIVITIES		
Proceeds from Subordinated Debt, Net of Issuance Costs	-	-
Proceeds from Stock Options	12,348	-
Repurchase of Common Stock	(583,242)	(712,560)
Net cash Provided by Financing Activities	\$ (570,894)	\$ (712,560)
Net Increase (Decrease) in Cash and Cash Equivalents	1,244,366	(628,193)
Cash and Cash Equivalents, Beginning of Year	65,035	693,228
Cash and Cash Equivalents, End of Year	<u>\$ 1,309,401</u>	<u>\$ 65,035</u>

22. Subsequent Events

The Company conducts its business activities through community banking. Community banking revolves around serving the community and customers where the bank has branches and offices. Community banking consists of lending, depository, and trust relationships.

The Company's chief executive officer is in charge of allocating the Company's resources and assessing the Company's performance, and as such, has been identified as the chief operating decision maker. The chief operating decision maker regularly reviews a multitude of reports that have a varying level of combined detail on products offered, however, all of the information and activity reviewed fall under the definition of community banking.

Based on the business activities and information reviewed by the chief operating decision maker, the Company has one reportable segment - Community Banking.

The accounting policies of the community banking segment are the same as those for the Company described in Note One. In accordance with ASC 280, the Company has concluded that consolidated net income is the measure of segment profit or loss.

that is required to be reported because it is the measure determined in accordance with measurement principles that are most consistent with US GAAP. As the Company only has one reportable segment, total segment net income and total segment assets are equivalent to the results disclosed in the accompanying Consolidated Statements of Income (reported as "Income Available to Common Shareholders" and Consolidated Balance Sheets (reported as "Total Assets"), respectively.

23. Subsequent Events

The date to which events occurring after December 31, 2024, the date of the most recent balance sheet, have been evaluated for possible adjustments to the financial statements or disclosure is March 14, 2025, 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



BRANDON C. PARK
DIRECTOR



MAURY PEIPERL
DIRECTOR



JOSEPH J. THOMAS
PRESIDENT & CEO
DIRECTOR

EXECUTIVE OFFICERS & SENIOR LEADERSHIP TEAM



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



RICHARD A. HUTCHISON
EXECUTIVE VICE PRESIDENT &
CHIEF MORTGAGE OFFICER



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



MARC TOHIR
EXECUTIVE VICE PRESIDENT &
HEAD OF COMMERCIAL BANKING

SHAREHOLDER & COMPANY INFORMATION

SENIOR LEADERSHIP



JAMIE ADKINS
SENIOR MORTGAGE
OPERATIONS OFFICER



TUNG DAO
CHIEF CREDIT OFFICER



TONY DENK
DIRECTOR OF MORTGAGE
PRODUCTION & SALES



DORIS HAMBRIGHT
HR DIRECTOR



KATHLEEN JOHNSON
CHIEF MARKETING OFFICER



SOPA KEO
DIRECTOR OF DEPOSIT SERVICES



ERIN MOORE
HEAD OF LOAN OPERATIONS



THYDA PRICE
COMPLIANCE DIRECTOR



DAVID SANDERS
ACTING CHIEF FINANCIAL OFFICER &
CHIEF ACCOUNTING OFFICER



FLORANTE SANTOS
CHIEF TECHNOLOGY OFFICER



GABRIELLE SENG
BRANCH BANKING MANAGER



RAZ SOFY
CONTROLLER

SHAREHOLDER & COMPANY INFORMATION

ADVISORY BOARD



JEFFERY PAYNE
CHIEF EXECUTIVE OFFICER,
COVEROS, INC.



JOE MEYER
EXECUTIVE DIRECTOR & CEO,
SHELTER HOUSE



NAG NELLURI
CHIEF EXECUTIVE OFFICER,
DATAMAXIS



SCOTT COSBY
PRESIDENT, AGILIKO



DAMON SMITH
CHIEF EXECUTIVE OFFICER,
BIGEYE DIRECT, INC.



MARK INGRAO
PRESIDENT,
ASPEN STRATEGIES, LLC



CHARLIE EINSMANN
PRINCIPAL,
CLEAR SKY FINANCIAL



MITCHELL LAHR
PRESIDENT & CEO,
CAREY INTERNATIONAL, INC.

SERVING OUR COMMUNITIES



The Freedom Bank Foundation's mission is to support and foster relationships with non-profit organizations that promote financial inclusion and make the communities Freedom Bank serves more vibrant and more equitable.

The **NOVA Freedom Fund** provides financing and technical assistance to underrepresented entrepreneurs in the DC Region. Since 2021, the Foundation, through the help of the Community Business Partnership (CBP), has provided capital and assistance to twelve local entrepreneurs. Today, the Foundation has raised over \$350,000 and looks forward to using the funding to assist even more businesses by forging a new partnership with the **Latino Economic Development Center (LEDC)** in 2024.

The Freedom Bank Foundation receives donations from the Bank and its employees, as well as coordinates its annual Campaign Celebration to leverage the platform to promote economic inclusion in the local community. Freedom Bank, through the Foundation and in line with the Bank's commitment to diversity and inclusion initiatives, is making an effort to level the playing field to achieve greater equality.



*Freedom Bank President & CEO, **Joe Thomas**, presenting at the 2024 Freedom Bank Foundation Gala*



Our IDEAS Make the Difference

Lots of banks say they're different. *We actually are!*

Here are some of the dynamic organizations across many industries that we've assisted in 2024:

\$3,200,000
Revolving Line of Credit
for Nutrient Bank

\$1,500,000
Line of Credit and
Vehicle Guidance Line

\$10,000,000
Term Loan

\$500,000
Tax-Exempt
Bond Financing

\$1,048,452
Residential Investment
Property Purchase

\$8,125,000
Commercial Real Estate
Purchase

\$12,000,000
Delayed Draw
Term Loan

\$1,500,000
Line of Credit to Support
Working Capital

\$10,000,000
Fund Line of Credit

Putting our IDEAS to work when you need us most.



Business Banking • Personal Banking • Mortgage Banking

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



CORPORATE HEADQUARTERS

Freedom Financial Holdings, Inc.

10555 Main Street
Fairfax, VA 22030
703-242-5300

TRANSFER AGENT

Equiniti Trust Company, LLC ("EQ")
55 Challenger Road, Floor 2
Ridgefield Park, NJ 07660
800-937-5449
www.equiniti.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 and will be held on

Tuesday, May 6, 2025 at 4 pm

at:

Westwood Country Club
800 Maple Ave. East
Vienna, VA 22180

A cocktail hour will follow the meeting and will start at 5 pm.



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

freedom.bank



OTCQX : FDVA

