Report of Independent Auditors and
Consolidated Financial Statements

Golden Valley Bancshares, Inc. and Subsidiary

December 31, 2021 and 2020

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Golden Valley Bancshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Golden Valley Bancshares, Inc. and Subsidiary as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Moss Adams LLP

Sacramento, California
March 28, 2022

Consolidated Financial Statements

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 6,831,102	$ 6,634,174
Federal funds sold	4,749,051	1,336,409
Interest-bearing deposits in other financial institutions	35,091,897	10,669,192
Total cash and cash equivalents	46,672,050	18,639,775
Interest-bearing time deposits in other financial institutions	4,977,000	12,441,500
Available-for-sale investment securities, at fair value	178,915,234	106,537,923
Loans, less allowance for loan losses of $4,577,778 in 2021, and $3,994,145 in 2020	234,603,535	261,532,954
Bank premises and equipment, net	1,934,035	1,378,868
Right-of-use (ROU) lease asset	1,056,199	1,343,528
Bank-owned life insurance, net	1,282,566	1,257,177
Accrued interest receivable and other assets	4,281,173	3,192,122
Total assets	$ 473,721,792	$ 406,323,847
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 170,383,477	$ 147,865,363
Interest-bearing	262,416,401	215,161,906
Total deposits	432,799,878	363,027,269
Federal Home Loan Bank borrowings	233,625	5,398,922
ROU lease liability	1,172,807	1,481,697
Accrued interest payable and other liabilities	854,296	1,161,431
Total liabilities	435,060,606	371,069,319
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock – no par value; 5,000,000 shares authorized, none outstanding	-	-
Common stock – no par value; 50,000,000 shares authorized; shares issued and outstanding 2,240,688 in 2021 and 2020	19,024,928	18,917,359
Retained earnings	18,990,086	13,830,766
Accumulated other comprehensive income	646,172	2,506,403
Total shareholders' equity	38,661,186	35,254,528
Total liabilities and shareholders' equity	$ 473,721,792	$ 406,323,847

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2021 and 2020

	2021	2020
Interest income:		
Interest and fees on loans	$ 12,797,763	$ 11,690,222
Interest and deposits in other financial institutions	338,364	591,080
Interest on federal funds sold	1,826	4,351
Interest on tax-exempt investment securities	103,905	52,870
Interest on taxable investment securities	2,196,309	2,247,559
Total interest income	15,438,167	14,586,082
Interest expense:		
Interest on deposits	456,984	755,495
Interest on borrowings	11,109	161,345
Total interest expense	468,093	916,840
Net interest income before provision for loan losses	14,970,074	13,669,242
Provision for loan losses	583,168	1,583,780
Net interest income after provision for loan losses	14,386,906	12,085,462
Non-interest income:		
Service charges and fees	544,565	225,336
Loan packaging fees	800,108	671,680
Gain on sale of available-for-sale investment securities	-	773,421
Other	52,388	181,556
Total non-interest income	1,397,061	1,851,993
Non-interest expense:		
Salaries and employee benefits	4,798,416	4,711,195
Occupancy and equipment	826,395	804,349
Other	2,824,836	2,588,754
Total non-interest expense	8,449,647	8,104,298
Net interest income before provision for income taxes	7,334,320	5,833,157
Provision for income taxes	2,175,000	1,740,000
Net income	$ 5,159,320	$ 4,093,157
Basic income per share	$ 2.30	$ 1.81
Diluted income per share	$ 2.25	$ 1.80

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

	2021	2020
Net income	$ 5,159,320	$ 4,093,157
Other comprehensive (loss) income:		
Unrealized holding (losses) gains arising during the year on available-for-sale investment securities	(2,643,232)	4,641,101
Less reclassification adjustment for gains included in net income	-	(773,421)
Tax effect	783,001	(1,141,999)
Total other comprehensive (loss) income	(1,860,231)	2,725,681
Total comprehensive income	$ 3,299,089	$ 6,818,838

See accompanying notes.

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2021 and 2020

	Common Stock		Retained	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Earnings	(Loss) Income	Equity
Balance, December 31, 2019	2,297,921	$ 19,389,159	$ 9,737,609	$ (219,278)	$ 28,907,490
Net income	-	-	4,093,157	-	4,093,157
Other comprehensive income	-	-	-	2,725,681	2,725,681
Share-based compensation	-	162,593	-	-	162,593
Repurchase of common stock	(57,233)	(634,393)	-	-	(634,393)
Balance, December 31, 2020	2,240,688	18,917,359	13,830,766	2,506,403	35,254,528
Net income	-	-	5,159,320	-	5,159,320
Other comprehensive loss	-	-	-	(1,860,231)	(1,860,231)
Share-based compensation	-	184,569	-	-	184,569
Exercise of stock options	11,000	93,500	-	-	93,500
Repurchase of common stock	(11,000)	(170,500)	-	-	(170,500)
Balance, December 31, 2021	2,240,688	$ 19,024,928	$ 18,990,086	$ 646,172	$ 38,661,186

Golden Valley Bancshares, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net income	$ 5,159,320	$ 4,093,157
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	583,168	1,583,780
Depreciation and amortization	290,860	285,149
Amortization of ROU lease asset	287,329	322,601
Change in lease liability	(308,890)	(294,278)
Net loss on sale of bank premises and equipment	-	1,043
Change in deferred loan origination fees, net	(807,785)	1,419,711
Gain on sale of available-for-sale investment securities	-	(773,421)
Change in deferred income taxes	(381,628)	(405,960)
Investment securities amortization	566,884	400,400
Share-based compensation expense	184,569	162,593
Increase in cash surrender value of bank-owned life insurance, net	(25,389)	(26,479)
Change in accrued interest receivable and other assets	94,483	(473,417)
Change in accrued interest payable and other liabilities	(307,135)	333,067
Net cash provided by operating activities	5,335,786	6,627,946
Cash flows from investing activities:		
Proceeds from the redemption of interest-bearing time deposits in other financial institutions	7,464,500	14,170,500
Purchase of available-for-sale investment securities	(91,795,138)	(16,747,880)
Proceeds from sales and calls of available-for-sale investment securities	276,294	30,025,383
Proceeds from principal payments on available-for-sale investment securities	15,931,417	16,750,282
Net increase in loans	27,154,036	(83,126,946)
Purchase of Federal Home Loan Bank stock	(26,700)	(252,200)
Purchase of premises and equipment, net	(838,232)	(200,957)
Net cash used in investing activities	(41,833,823)	(39,381,818)
Cash flows from financing activities:		
Increase in demand, interest bearing and savings deposits, net	22,518,114	52,407,976
Increase in time deposits, net	47,254,495	15,767,731
Proceeds from FHLB advances	-	30,000,000
Repayment of FHLB advances	(5,165,297)	(55,257,252)
Repurchase of common stock, net	(77,000)	(634,393)
Net cash provided by financing activities	64,530,312	42,284,062
Net increase in cash and cash equivalents	28,032,275	9,530,190
Cash and cash equivalents, beginning of year	18,639,775	9,109,585
Cash and cash equivalents, end of year	$ 46,672,050	$ 18,639,775

See accompanying notes.

	2021	2020
Supplemental disclosure of cash-flow information:		
Cash paid during the year:		
Interest expense	$ 534,745	$ 971,285
Income taxes	$ 2,929,808	$ 1,961,021
Supplemental disclosures of noncash activities:		
Unrealized (loss) gain on investment securities available-for-sale, net of gains included in net income	$ (2,643,232)	$ 3,867,680

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Golden Valley Bancshares, Inc. (the "Company") is a bank holding company incorporated under the laws of the State of California on December 2, 2019. The consolidated financial statements include accounts of Golden Valley Bancshares and its wholly-owned subsidiary, Golden Valley Bank (the "Bank"). Upon formation and regulatory approval of the Company on October 23, 2020, all shareholders of the Bank became shareholders of the Company. Further, the Bank's current directors and principal officers remain the same, will continue to manage the Bank, and have also become directors and principal officers of the Company. The Bank was approved as a state-chartered member bank on April 24, 2006, and is subject to regulation by the California Department of Financial Protection and Innovation (the "DFPI") and the Federal Deposit Insurance Corporation (the "FDIC"). The Company is headquartered in Chico, California, with a full-service office in Redding, California, and provides products and services to customers who are predominately small to middle-market businesses, professionals, and not-for-profit organizations located in Butte, Shasta, and surrounding counties. The Company is scheduled to open its new Business Banking Office in Oroville, California in 2022.

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

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

Subsequent events – Management has evaluated subsequent events for recognition and disclosure through March 28, 2022, which is the date the consolidated financial statements were available to be issued. The Company issued $6 million of subordinated debt at an interest rate of 4.25% in March 2022 for general corporate purposes, including strengthening bank capital ratios and potential future strategic opportunities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the Coronavirus Disease 2019 ("COVID-19") pandemic. The CARES Act provides optional temporary relief from troubled debt restructuring and impairment accounting requirements for loan modifications related to the COVID-19 pandemic. Banking regulators issued similar guidance, which also clarified that a COVID-19-related modification should not be considered a TDR if the borrower was current on payments at the time the underlying loan modification program was implemented and if the modification was considered to be short-term. The relief from TDR guidance applies to modifications of loans that were not more than 30 days past due as of December 31, 2019, and modifications that occurred beginning on March 1, 2020, until the earlier of: 60 days after the date on which the national emergency related to the COVID-19 outbreak is terminated or December 31, 2020. The suspension of TDR accounting and reporting guidance may not be applied to any adverse impact on the credit of a borrower that is not related to the COVID-19 pandemic. In December 2020, the Consolidated Appropriations Act, 2021 was signed into law. Section 541 of this legislation, *"Extension of Temporary Relief From Troubled Debt Restructurings and Insurer Clarification,"* extends Section 4013 of the CARES Act to the earlier of January 1, 2022 or 60 days after the termination of the national emergency declaration relating to COVID-19. Future TDRs are indeterminable and will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. The Company responded to the needs of its borrowers in accordance with the CARES Act and regulatory guidance to grant short-term COVID-19 related loan modifications. These modified loans are not troubled debt restructurings and are not considered to be past due or nonperforming. The Company granted payment deferrals of 90 days determined on a case-by-case basis considering the nature of the business and impact of the COVID-19 pandemic.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Allowance for credit losses on off-balance-sheet credit exposures – The Company maintains a separate allowance for losses related to off-balance-sheet exposures. Management estimates the amount of probable losses by applying a loss factor and utilization assumptions to the available portion of undisbursed lines of credit. This allowance of $75,000 is included in accrued interest payable and other liabilities on the consolidated balance sheets at December 31, 2021 and 2020.

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

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

Income taxes – Income tax expense is the total of the current year income tax due or refundable, and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is "more likely than not" that all or a portion of the deferred tax asset will not be realized. "More likely than not" is defined as greater than a 50% chance. Based upon their analysis of available evidence, management determined that it is "more likely than not" that all of the deferred income tax assets as of December 31, 2021 and 2020, will be fully realized and therefore no valuation allowance was recorded. Interest and/or penalties related to income tax matters are recognized in income tax expense.

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

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

Comprehensive income – Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale that are also recognized as separate components of equity.

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

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

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

Restrictions on cash – There was no reserve requirement at December 31, 2021 and 2020.

Advertising – Advertising costs are charged to expense in the period incurred and totaled $193,996 and $156,993 for the years ended December 31, 2021 and 2020, respectively.

Share-based compensation – The Company has one share-based payment plan, the 2016 Golden Valley Bancshares Equity Incentive Plan (the "Plan"), which is described more fully in Note 11. The Company accounts for share-based expense using a fair-value based method and requires that share-based expense be recorded for all stock options that are ultimately expected to vest as the requisite service is rendered. The expense related to restricted stock is based on the value of the stock at the grant date and is expensed over the vesting period.

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

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

Operating segments – While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

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

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

Transition:

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

These amendments are effective as follows:

- For Public Business Entities (“PBEs”) that do meet the definition of an SEC filer, the standard will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.
- For calendar year-end PBEs that are not SEC filers, such as the Company, it is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

As of this time, management has not fully modeled and analyzed the historical data necessary to make a clear determination as to the materiality of the impact on either financial condition, or future operations, based upon the implementation of the CECL methodology of required reserves, or recognition of future credit losses. Management does believe there is a potential material impact to both capital and operations based upon this new framework for both reserving and recognizing future credit losses.

The Company will apply the amendment's provisions as a cumulative-effect adjustment to retained earnings at the beginning of the first period the amendment is effective. The Company has formed a team that is working on an implementation plan to adopt the amendment. The implementation plan will include developing policies, procedures and internal controls over the model. The Company is also working with a software vendor to measure expected losses required by the amendment. The Company is currently evaluating the effects that the adoption of this amendment will have on its consolidated financial statements and expects that the portfolio composition and economic conditions at the time of adoption will influence the accounting adjustment made at the time the amendment is adopted.

NOTE 2 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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

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

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

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

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

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

Fair value of financial instruments – The carrying amounts and estimated fair values of financial instruments not carried at fair value are as follows as of December 31, 2021 and 2020:

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

	2020				
	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 6,634,174	$ 6,634,174	$ -	$ -	$ 6,634,174
Interest-bearing deposits and	1,336,409	1,336,409	-		1,336,409
interest-bearing time deposits in other financial institutions	23,110,692	10,669,192	12,441,500	-	23,110,692
Loans, net	261,532,954	-	-	257,629,000	257,629,000
Financial liabilities:					
Deposits	$ 363,027,269	$ 316,828,000	$ 28,058,000	$ -	$ 344,886,000
FHLB borrowings	5,398,922	5,398,922	-	-	5,398,922

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

Fair value measurements

Assets recorded at fair value – The following tables present information about the Company's assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2021 and 2020:

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

	2020			
	Fair Value	Level 1	Level 2	Level 3
Debt securities:				
U.S. Government-sponsored entities	$ 1,042,862	$ -	$ 1,042,862	$ -
Government guaranteed residential mortgage-backed securities	11,263,106	-	11,263,106	-
Municipal securities	52,505,128	-	52,505,128	-
Corporate debt securities	7,189,859	-	7,189,859	-
Certificates of deposit	812,365	-	812,365	-
Collateralized mortgage obligations	33,724,603	-	33,724,603	-
Total assets measured at fair value	$ 106,537,923	$ -	$ 106,537,923	$ -

At December 31, 2021 and 2020, the Company had no liabilities measured at fair value on a recurring basis. Fair values for Level 2 available-for-sale investment securities are based on quoted market prices for similar securities and model-based valuation techniques for which all significant assumptions are observable. During the years ended December 31, 2021 and 2020, there were no transfers in or out of Levels 1 and 2.

Nonrecurring basis – The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or fair value, that were recognized at fair value, which was below cost at the reporting date. The Company did not have any assets or liabilities measured on a nonrecurring basis as of December 31, 2021 and 2020.

NOTE 3 – AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated fair value of available-for-sale investment securities consisted of the following:

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

There were no sales of investment securities during the year ended December 31, 2021.

	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government-sponsored entities	$ 1,062,442	$ 3,440	$ (23,020)	$ 1,042,862
Government guaranteed residential mortgage-backed securities	10,832,392	430,714	-	11,263,106
Municipal securities	50,157,953	2,408,836	(61,661)	52,505,128
Corporate debt securities	7,243,660	18,799	(72,600)	7,189,859
Certificates of deposit	739,683	72,682	-	812,365
Collateralized mortgage obligations	32,945,586	782,666	(3,649)	33,724,603
	$ 102,981,716	$ 3,717,137	$ (160,930)	$ 106,537,923

Net proceeds from the sale of available-for-sale investment securities for the year ended December 31, 2020, were $27,950,383. Gross realized gains and losses on sales of securities were $783,896 and $10,475, respectively, during the year ended December 31, 2020.

Contractual maturities – The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2021, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of securities may have the right to call or prepay obligations with or without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Within one year	$ 156,494	$ 161,564
After one year through five years	26,845,468	26,946,591
After five years through ten years	93,263,885	93,368,290
After ten years	45,861,304	46,530,224
	166,127,151	167,006,669
Investment securities not due at a single maturity date:		
Government guaranteed residential mortgage-backed securities	8,839,729	8,886,036
U.S. Government-sponsored entities	3,035,379	3,022,529
	$ 178,002,259	$ 178,915,234

The following table summarizes securities with unrealized losses at December 31, 2021 and 2020, aggregated by major security type and length of time in a continuous unrealized loss position:

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

	2020					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Government-sponsored entities	$ -	$ -	$ 973,325	$ (23,020)	$ 973,325	$ (23,020)
Municipal securities	6,833,184	(55,049)	1,290,556	(6,612)	8,123,740	(61,661)
Corporate debt securities	-	-	6,267,322	(72,600)	6,267,322	(72,600)
Collateralized mortgage obligations	141,303	(143)	2,161,342	(3,505)	2,302,645	(3,648)
	$ 6,974,487	$ (55,192)	$ 10,692,545	$ (105,737)	$ 17,667,032	$ (160,930)

At December 31, 2021, the Company held 8 securities with a book value of $5,458,139 that were in a loss position for more than 12 months. At December 31, 2021, the Company held 99 securities with a book value of $91,104,898 that were in a loss position for less than 12 months. The decline in market value is attributable to fluctuations in interest rates and not credit quality. Accordingly, it is expected that the securities will not be settled at a price less than amortized cost. Because the Company does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, which may be maturity, management does not consider these investments to be other-than-temporarily impaired.

The only significant concentration of investment securities (greater than 10% of shareholders' equity) in any individual security issuer at December 31, 2020, is certain Government guaranteed residential mortgage-backed securities issued by the Government National Mortgage Association, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. The only significant concentration of investment securities (greater than 10% of shareholders' equity) in any individual security issuer at December 31, 2021 is U.S. Treasury Notes and certain Government guaranteed residential mortgage-backed securities issued by the Government National Mortgage Association, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

Investment securities with amortized costs totaling $7,576,062 and $14,195,754, and estimated fair values totaling $7,884,914 and $15,017,113 were pledged to secure borrowing arrangements at December 31, 2021 and 2020, respectively.

NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Outstanding loans at December 31, 2021 and 2020, are summarized below:

	2021	2020
Commercial	$ 36,903,819	$ 87,062,647
Real estate – commercial	149,758,753	125,843,482
Real estate – residential	32,505,112	35,967,884
Real estate – construction	19,356,869	17,404,665
Consumer and other	764,468	163,914
	239,289,021	266,442,592
Deferred loan origination (fees) costs, net	(107,708)	(915,493)
Allowance for loan losses	(4,577,778)	(3,994,145)
	$ 234,603,535	$ 261,532,954

Salaries and employee benefits totaling $822,330 and $870,592 were deferred as loan origination costs for the years ended December 31, 2021 and 2020, respectively.

Pursuant to the Coronavirus Aid, Relief and Economic Security (“CARES”) Act passed in March 2020, the Company funded over 782 loans to eligible small businesses and nonprofit organizations who participated in the Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). PPP loans have terms of two to five years and earn interest at 1%. In addition, the Company received a fee of 1% to 5% from the SBA depending on the loan amount, which was netted with loan origination costs and amortized into interest income under the straight-line method over the contractual life of the loan. The recognition of fees and costs is accelerated when the loan is forgiven by the SBA and/or paid off prior to maturity. PPP loans are fully guaranteed by the SBA and are expected to be forgiven by the SBA if they meet the requirements of the program. The balance of PPP loans at December 31, 2021 and 2020, was $11,554,206 and $66,714,655 respectively with related net deferred fee income of $460,009 and $1,424,916, respectively.

The following tables show the allocation and activity of the allowance for loan losses at and for the years ended December 31, 2021 and 2020, by portfolio class and by impairment methodology:

2021	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 499,885	$ 250,597	$ 2,387,929	$ 473,865	$ 4,725	$ 377,145	$ 3,994,146
Provision for loan losses	112,908	88,616	786,712	(44,161)	16,238	(377,145)	583,168
Loans charged-off	-	-	-	-	-	-	-
Recoveries	-	-	-	-	464	-	464
Ending balance allocated to portfolio classes	$ 612,793	$ 339,213	$ 3,174,641	$ 429,704	$ 21,427	$ -	$ 4,577,778
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 612,793	$ 339,213	$ 3,174,641	$ 429,704	$ 21,427	$ -	$ 4,577,778
Loans:							
Ending balance	$ 36,903,819	$ 19,356,869	$ 149,758,753	$ 32,505,112	$ 764,468	$ -	$ 239,289,021
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 36,903,819	$ 19,356,869	$ 149,758,753	$ 32,505,112	$ 764,468	$ -	$ 239,289,021

2020	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 296,309	$ 236,687	$ 1,474,504	$ 288,636	$ 6,340	$ -	$ 2,302,476
Provision for loan losses	203,576	13,910	913,425	75,970	(245)	377,144	1,583,780
Loans charged-off	-	-	-	-	(1,370)	-	(1,370)
Recoveries	-	-	-	109,259	-	-	109,259
Ending balance allocated to portfolio classes	$ 499,885	$ 250,597	$ 2,387,929	$ 473,865	$ 4,725	$ 377,144	$ 3,994,145
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 499,885	$ 250,597	$ 2,387,929	$ 473,865	$ 4,725	$ 377,144	$ 3,994,145
Loans:							
Ending balance	$ 87,062,647	$ 17,404,665	$ 125,843,482	$ 35,967,884	$ 163,914	$ -	$ 266,442,592
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance: collectively evaluated for impairment	$ 87,062,647	$ 17,404,665	$ 125,843,482	$ 35,967,884	$ 163,914	$ -	$ 266,442,592

The following tables show the loan portfolio allocated by management's internal risk ratings at December 31, 2021 and 2020:

	2021					
	Credit Risk Profile by Internally Assigned Grade					
	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Total
Grade:						
Pass	$ 35,487,176	$ 19,072,034	$ 147,176,261	$ 32,287,226	$ 764,468	$ 234,787,165
Special Mention	152,309	284,835	492,724	-	-	929,868
Substandard	1,264,334	-	2,089,768	217,886	-	3,571,988
	$ 36,903,819	$ 19,356,869	$ 149,758,753	$ 32,505,112	$ 764,468	$ 239,289,021

	2020					
	Credit Risk Profile by Internally Assigned Grade					
	Commercial	Real Estate – Construction	Real Estate – Commercial	Real Estate – Residential	Consumer and Other	Total
Grade:						
Pass	$ 86,345,249	$ 17,404,665	$ 124,019,369	$ 35,946,344	$ 163,914	$ 263,879,541
Special Mention	378,826	-	512,148	-	-	890,974
Substandard	338,572	-	1,311,965	21,540	-	1,672,077
				-		
	$ 87,062,647	$ 17,404,665	$ 125,843,482	$ 35,967,884	$ 163,914	$ 266,442,592

The following tables show an aging analysis of the loan portfolio by the time past due at December 31, 2021 and 2020:

	2021						
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total	90 Days and Still Accruing	Nonaccrual
Commercial	$ -	$ -	$ -	$ 36,903,819	$ 36,903,819	$ -	$ -
Real estate – commercial	-	-	-	149,758,753	149,758,753	-	-
Real estate – residential	-	-	-	32,505,112	32,505,112	-	-
Real estate – construction	-	-	-	19,356,869	19,356,869	-	-
Consumer	-	-	-	764,468	764,468	-	-
	$ -	$ -	$ -	$ 239,289,021	$ 239,289,021	$ -	$ -

	2020						
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total	90 Days and Still Accruing	Nonaccrual
Commercial	$ -	$ -	$ -	$ 87,062,647	$ 87,062,647	$ -	$ -
Real estate – commercial	-	-	-	125,843,482	125,843,482	-	-
Real estate – residential	-	-	-	35,967,884	35,967,884	-	-
Real estate – construction	-	-	-	17,404,665	17,404,665	-	-
Consumer	-	-	-	163,914	163,914	-	-
	$ -	$ -	$ -	$ 266,442,592	$ 266,442,592	$ -	$ -

For the years ended December 31, 2021 and 2020, there were no impaired loans.

Troubled debt restructurings – The Company has allocated no specific reserves to loans to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2021 and 2020, respectively. The Company does not have commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings.

During the years ended December 31, 2021 and 2020, no loans were modified as a troubled debt restructure. Further, there were no troubled debt restructurings for which there was a payment default within 12 months following the modification during the years ended December 31, 2021 and 2020.

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

As of December 31, 2021 the Company had no loans outstanding with modified terms under section 4013 of the CARES Act. As of December 31, 2020, the Company had one loan of $231,054 outstanding with a short-term deferral of scheduled payments as provided under Section 4013 of the CARES Act. To the extent that certain modifications did not qualify under Section 4013 of the CARES Act, the Company accounts for them as TDRs.

NOTE 5 – BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Land	$ 184,395	$ -
Building	609,101	-
Furniture, fixtures and equipment	1,128,454	1,109,687
Leasehold improvements	2,006,110	2,000,167
Construction in process	28,590	8,564
	3,956,650	3,118,418
Less accumulated depreciation and amortization	(2,022,615)	(1,739,550)
	$ 1,934,035	$ 1,378,868

Depreciation and amortization included in occupancy and equipment expense totaled $283,065 and $283,480 for the years ended December 31, 2021 and 2020, respectively.

NOTE 6 – INTEREST-BEARING DEPOSITS

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2021 and 2020, were $9,716,952 and $9,925,379, respectively.

Interest-bearing deposits at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Savings	$ 36,691,294	$ 29,611,195
Money market	152,312,389	111,565,672
Interest-bearing demand accounts	56,040,388	46,193,360
Time	17,372,330	27,791,679
	$ 262,416,401	$ 215,161,906

Aggregate annual maturities of time deposits are as follows:

Year Ending December 31:	
2022	$ 15,507,430
2023	1,191,075
2024	126,918
2025	509,907
2026	37,000
Thereafter	-
Total	$ 17,372,330

Interest expense recognized on interest-bearing deposits for the years ended December 31, 2021 and 2020, consisted of the following:

	2021	2020
Savings	$ 13,190	$ 12,868
Money market	284,644	414,205
Interest-bearing demand accounts	43,141	68,414
Time	116,009	260,008
	$ 456,984	$ 755,495

NOTE 7 – BORROWING ARRANGEMENTS

The Company has two unsecured federal funds lines of credit with two correspondent banks under which it can borrow up to $12,500,000. There were no borrowings outstanding under these arrangements at December 31, 2021 and 2020.

In addition, the Company has a borrowing arrangement with the FRB. Borrowings are secured by available-for-sale investment securities pledged by the Company. The Company’s borrowing capacity varies depending on the type and value of investments pledged. At December 31, 2021 and 2020, there were no outstanding borrowings.

The Company has also obtained a letter of credit with the FHLB totaling $8,800,000, used to collateralize California State Treasurer Time Deposit Program deposits. The letter of credit was terminated in May 2020 and available-for-sale investment securities were pledged as collateral with the State Treasurer Time Deposit Program.

The Company has a secured borrowing arrangement with the FHLB. At December 31, 2021 and 2020, advances from the FHLB were as follows:

	2021	2020
Maturity date April 30, 2021, fixed rate of 0.00%	$ -	$ 5,000,000
Maturity date March 28, 2023, amortizing, fixed rate of 3.43%	233,625	398,922
	$ 233,625	$ 5,398,922

At December 31, 2021 and 2020, the Company's remaining borrowing capacity under this arrangement was $73,145,801 and $60,026,100, respectively. The Company is required to pledge available-for-sale investment securities and certain loans to secure any advances under this arrangement. Loans totaling $118,369,045 and $106,943,258 were pledged to secure advances from the FHLB at December 31, 2021 and 2020, respectively.

NOTE 8 – INCOME TAXES

Income taxes for the years ended December 31, 2021 and 2020, consisted of the following:

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

	2020		
	Federal	State	Total
Current	$ 1,341,403	$ 804,557	$ 2,145,960
Deferred	(243,403)	(162,557)	(405,960)
	$ 1,098,000	$ 642,000	$ 1,740,000

Deferred tax assets (liabilities) at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Deferred tax assets:		
Allowance for loan losses	$ 1,204,427	$ 1,032,021
Stock-based expense	90,548	69,404
Organization costs	-	406
State tax deferral	189,294	169,501
Lease liability	334,019	438,043
Other	257,574	137,637
Total deferred tax assets	2,075,862	1,847,012
Deferred tax liabilities:		
Loan origination costs	(348,483)	(360,576)
Premises and equipment	(110,165)	(159,996)
Right-of-use lease asset	(299,545)	(397,195)
Unrealized gain on available-for-sale securities	(269,909)	(1,051,343)
Other	(22,607)	(15,811)
Total deferred tax liabilities	(1,050,709)	(1,984,921)
Net deferred tax (liability) assets	$ 1,025,153	$ (137,909)

The effective tax rate at December 31, 2021 and 2020, as a percentage of income before income taxes, differs from the statutory federal income tax rate as follows:

	2021	2020
Federal income tax expense, at statutory rate	21.0%	21.0%
State franchise tax, net of federal tax effect	8.6%	8.7%
Tax-exempt income from life insurance policies	(0.1)%	(0.1)%
Tax exempt income	(0.3)%	(0.2)%
Stock based compensation	0.3%	0.4%
Other	0.2%	0.0%
Effective tax rate	29.7%	29.8%

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company has evaluated the impact of the CARES Act and determined that none of the changes would result in a material income tax benefit to the Company.

On December 27, 2020, the Consolidated Appropriations Act of 2021 was signed into law and extends several provisions of the CARES Act. As of December 31, 2020, the Company has determined that neither this act nor changes to income tax laws or regulations in other jurisdictions have a significant impact on its effective tax rate.

The Company files income tax returns in the U.S. federal and California jurisdictions. There are currently no pending U.S. federal or state income tax or non-U.S. income tax examinations by tax authorities. The Company is no longer subject to tax examinations by U.S. federal taxing authorities for years ended before December 31, 2018, and by state and local taxing authorities for years ended before December 31, 2017.

As of December 31, 2021 and 2020, there were no unrecognized tax benefits or interest and penalties related to tax matters accrued by the Company.

NOTE 9 – LEASES

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

The table below presents information regarding the Company's leases as of December 31, 2021 and 2020.

	2021	2020
Right-of-use lease asset	$ 1,056,199	$ 1,343,528
Lease liability	$ 1,172,807	$ 1,481,697
Weighted Average Remaining Lease Term	3.86	4.76
Weighted Average Discount Rate	2.63%	2.62%

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

	2021
2022	$ 349,136
2023	268,002
2024	274,900
2025	278,783
2026	69,691
Thereafter	-
Total undiscounted cash flows	1,240,512
Less: present value discount	(67,705)
Present value of net future minimum lease payments	$ 1,172,807

The following table presents the components of lease expense as of December 31, 2021 and 2020:

	2021	2020
Operating lease cost	$ 322,601	$ 322,601
Variable lease cost	61,602	67,737
Sublease income	(92,605)	(91,330)
Total lease cost	$ 291,598	$ 299,008

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Financial instruments with off-balance-sheet risk – The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit totaling $56,349,000 and $48,267,000 at December 31, 2021 and 2020, respectively. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the consolidated balance sheet.

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, equipment, and deeds of trust on residential real estate and income-producing commercial properties.

Commercial loan commitments represent approximately 45% of total commitments and are generally unsecured or secured by collateral other than real estate and have variable interest rates. Commercial real estate and construction loan commitments represent approximately 34% of total commitments and are generally secured by property with a loan-to-value ratio not to exceed 80%. The majority of real estate commitments also have variable interest rates. Home equity lines of credit represent 20% of total commitments and are generally secured by residential real estate and have variable interest rates. Agricultural loans represent 1% of total commitments and are generally secured by farmland and have fixed interest rates.

Concentrations of credit risk – The Company grants real estate mortgage, real estate construction and commercial loans to customers in Butte, Shasta, and surrounding counties. Although the Company intends to continue to diversify its loan portfolio, a substantial portion of its portfolio is secured by commercial and residential real estate at December 31, 2021 and 2020. In management's judgment at December 31, 2021, a concentration of loans exists in real estate commercial, mortgage and non-real estate commercial related loans, which represented approximately 63%, 22%, and 15% of the Company's loans, respectively. In management's judgment at December 31, 2020, a concentration of loans exists in real estate commercial, mortgage and non-real estate commercial related loans, which represented approximately 45%, 13%, and 35% of the Company's loans, respectively. A substantial decline in the performance of the economy in general or a confirmed decline in real estate values in the Company's primary market area, in particular, could have an adverse impact on the collectability of these loans.

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

NOTE 11 – SHARE-BASED COMPENSATION

The 2006 Golden Valley Bank Equity Incentive Plan terminated on April 12, 2016, and had 30,250 outstanding options under the plan at December 31, 2021. The 2016 Golden Valley Bancshares Equity Incentive Plan ("2016 Plan") has been approved by the Company's shareholders and permits the grant of stock options and restricted stock for up to 718,167 shares of the Company's common stock. Under the 2016 Plan, the Company had 548,918 and 583,918 shares reserved for future grants at December 31, 2021 and 2020, respectively. The Plan is designed to retain employees, directors and founders who are advisory group members. The amount, frequency, and terms of share-based awards may vary based on competitive practices, the Company's operating results and government regulations. New shares are issued upon option exercise or restricted share grants. The Plan requires that the option price may not be less than the fair market value of the stock at the date the option is granted. All options expire on a date determined by the Board of Directors but not later than ten years from the date of grant. The vesting period for stock options and restricted stock is determined by the Board of Directors and is generally over a three to five year period. As of and for the years ended December 31, 2021 and 2020, the Company made no grants of restricted stock and had no unvested shares of restricted stock outstanding.

Stock option awards – A summary of option activity under the Plan for the year ended December 31, 2021, is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options:				
Outstanding at January 1, 2021	175,501	$ 11.09	6.57 years	$ 232,748
Granted	35,000	$ 18.99	-	$ -
Exercised	(11,000)	$ 8.50	-	$ -
Outstanding at December 31, 2021	199,501	$ 12.62	6.48 years	$ 1,273,543
Exercisable at December 31, 2021	90,411	$ 10.29	4.70 years	$ 787,055
Options expected to vest	79,914	$ 14.54	7.96 years	$ 431,466

At December 31, 2021, the unrecognized cost related to nonvested stock option awards totaled $408,613. That cost is expected to be amortized on a straight-line basis over a weighted average period of 2.25 years and will be adjusted for subsequent changes in estimated forfeitures. Total share-based expense of $184,569 and $162,593 is recorded in salaries and benefits and other noninterest expense for the years ended December 31, 2021 and 2020, respectively. The fair value of options vested during 2021 and 2020 totaled $124,891 and $133,409, respectively.

The weighted average grant-date fair value per share of stock options granted in 2021 and 2020 was $9.94 and $8.20, respectively. The weighted average grant date assumptions used for the year ended December 31, 2021 are shown below.

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

NOTE 12 – SHAREHOLDERS' EQUITY

Earnings per share – A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the years ended December 31, 2021 and 2020, is shown below.

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

	2020		
	Net Income	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic earnings per share	$ 4,093,157	2,262,893	$ 1.81
Effect of dilutive stock options	-	16,215	
Diluted earnings per share	$ 4,093,157	2,279,108	$ 1.80

Shares of common stock issuable under stock options for which the exercise prices were greater than the average market prices were not included in the computation of diluted earnings per share due to their antidilutive effect. Such shares totaled 15,000 and 67,383 for the years ended December 31, 2021 and 2020, respectively.

Stock repurchased under equity compensation plans – The Company's shareholder-approved equity compensation plans permit holders of vested stock options to exercise the vested stock options through a "cashless" exercise. In a cashless exercise, the holder of a vested stock option exercises the stock option without remitting cash to the Company. Upon exercise, the Company remits the difference between the fair value of the stock at the date of exercise, less the exercise price, to the vested stock option holder who is exercising the stock option. The Company then records the net stock acquired as stock repurchased and the repurchased shares are retired. During the year ended December 31, 2021, employees exercised 11,000 vested stock options through cashless exercises that had total fair value of $170,500 and total intrinsic value of $77,000 at the date of exercise. The Company paid the vested option holders $77,000 and repurchased and retired the 11,000 shares. No vested stock options were exercised during 2020. However, the Company did repurchase and retire 57,233 shares of common stock for a total value of $634,393.

Dividends – Upon declaration by the Board of Directors, all shareholders of record will be entitled to receive dividends. The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of (1) the Company's retained earnings, or (2) the Company's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2021 and 2020, no amounts were free of such restrictions. There were no dividends declared to shareholders of record in 2021 and 2020.

Regulatory capital – The Bank and the Company are subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. The Company is not subject to regulatory capital requirements because its total assets are less than $3.0 billion. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became fully effective for the Bank on January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based ratios. The capital conservation buffer requirement is 2.50%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2021 and 2020, the Bank met all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2021 and 2020, the most recent regulatory notifications categorized the Company as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

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

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

	2021		2020	
	Amount	Ratio	Amount	Ratio
Leverage Ratio:				
Golden Valley Bank	$ 37,921,000	8.0%	$ 32,730,000	8.1%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 23,686,000	5.0%	$ 20,327,000	5.0%
Minimum regulatory requirement	$ 18,949,000	4.0%	$ 16,261,000	4.0%
Tier 1 Risk-Based Capital Ratio:				
Golden Valley Bank	$ 37,921,000	13.4%	$ 32,730,000	14.1%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 22,572,000	8.0%	$ 18,630,000	8.0%
Minimum regulatory requirement	$ 16,929,000	6.0%	$ 13,971,000	6.0%
Common Equity Tier 1 Capital Ratio:				
Golden Valley Bank	$ 37,921,000	13.4%	$ 32,730,000	14.1%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 18,340,000	6.5%	$ 15,137,000	6.5%
Minimum regulatory requirement	$ 12,697,000	4.5%	$ 10,478,000	4.5%
Total Risk-Based Capital Ratio:				
Golden Valley Bank	$ 41,461,000	14.7%	$ 35,655,000	15.3%
Minimum requirement for "Well-Capitalized" institution under prompt corrective action provisions	$ 28,215,000	10.0%	$ 23,286,000	10.0%
Minimum regulatory requirement	$ 22,572,000	8.0%	$ 18,629,000	8.0%

Management believes that the Company met all its capital adequacy requirements as of December 31, 2021 and 2020.

NOTE 13 – RELATED-PARTY TRANSACTIONS

The Company enters into transactions with related parties, including directors and executive officers. The following is a summary of the aggregate activity involving related party borrowers for the years ended December 31, 2021 and 2020:

	2021	2020
Balance, beginning of year	$ 3,470,026	$ 3,420,785
Disbursements	3,686,268	746,699
Amounts repaid	(1,441,579)	(697,458)
Balance, end of year	5,714,715	3,470,026
Undisbursed commitments to related parties, December 31	$ 2,722,683	$ 3,203,171

At December 31, 2021 and 2020, the Company's deposits from related parties totaled approximately $10,603,000 and $12,124,000, respectively. Included in related party deposits are deposits from Golden Valley Bank Community Foundation (the "Foundation").

NOTE 14 – EMPLOYEE BENEFIT PLANS

Profit sharing plan – In 2006, the Company adopted the Golden Valley Bank 401(k) Profit Sharing Plan and Trust (the "Plan"). All employees 18 years of age or older with two months of service are eligible to participate in the salary deferral provisions of the Plan. Eligible employees may elect to make tax deferred contributions up to the maximum amount allowed by law. Deferrals can begin the first day of the following quarter after meeting eligibility requirements. The plan accepts both pre-tax and Roth deferrals. The Company contribution is a Safe Harbor Match of employee salary deferrals and are 100% vested immediately. Any other employer contribution vests over a 6-year schedule. After eligible employees have completed one year of service, they are eligible for any additional employer contribution provisions. The Company may make contributions to the Plan at the discretion of the Board of Directors. Eligible employees hired on or before August 1, 2006, are immediately vested in employer contributions. The Company contributed $179,167 and $176,509 to the Plan during the years ended December 31, 2021 and 2020, respectively.

NOTE 15 – OTHER EXPENSES

Other expenses for the years ended December 31, 2021 and 2020, consisted of the following:

	2021	2020
Data processing	$ 1,156,506	$ 830,062
Professional fees	294,836	351,453
Regulatory assessments	232,588	156,030
Advertising and marketing	301,036	502,126
Director fees	218,956	201,904
Other	620,914	547,179
	$ 2,824,836	$ 2,588,754

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