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Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Joseph Thomas
Name of the Holding Company Director and Official

President & Chief Executive Officer
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

DocuSigned by:
[signature]
D110EBFA709D472...
Signature of Holding Company Director and Official

9/28/2022
Date of Signature

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2021
Month / Day / Year

549300L5ZP4XWN7R1211
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

FREEDOM FINANCIAL HOLDINGS, INC.
Legal Title of Holding Company

10555 MAIN STREET SUITE 600
(Mailing Address of the Holding Company) Street / P.O. Box

FAIRFAX	VA	22030
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

PATRICK KIP HUFFMAN	SVP & CAO CONTROLLER
Name	Title

703-667-4107
Area Code / Phone Number / Extension

703-667-4197
Area Code / FAX Number

khuffman@freedom.bank
E-mail Address

https://www.freedom.bank/
Address (URL) for the Holding Company's web page

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID _____
C.I. _____

Is confidential treatment requested for any portion of this report submission? ..... 0=No 1=Yes: 0

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report ..... ☐
2. a letter justifying this request has been provided separately ... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

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For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City | State | Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City | State | Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

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Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City | State | Zip Code

Physical Location (if different from mailing address)

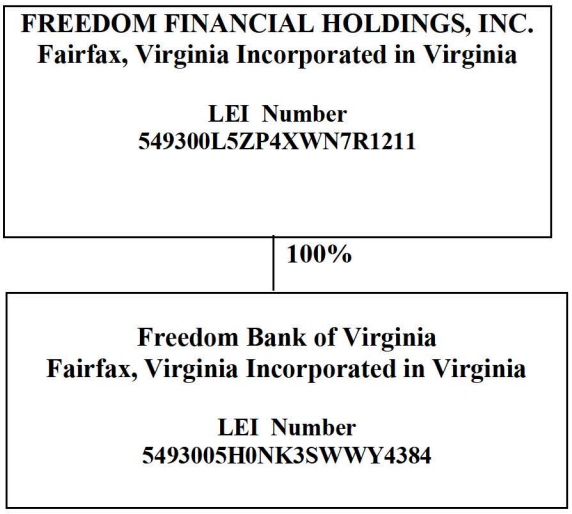
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Form FR Y-6
FREEDOM FINANCIAL HOLDINGS, INC.
Fairfax, Virginia
Fiscal Year Ending December 31, 2021

Report Item

1: The bank holding company prepares an annual report for its shareholders and is not registered with the SEC. Enclosed are two (2) copies, as specified by the Federal Reserve Bank of Richmond.

2a: Organizational Chart



2b: Domestic Branch Listing:

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Results: A list of branches for your depository institution: FREEDOM BANK OF VIRGINIA, THE (ID_RSSD: 3019982).
This depository institution is held by FREEDOM FINANCIAL HOLDINGS, INC. (5624205) of FAIRFAX, VA.
The data are as of 12/31/2021. Data reflects information that was received and processed through 01/12/2022.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	3019982	FREEDOM BANK OF VIRGINIA, THE	10555 MAIN STREET	FAIRFAX	VA	22030	FAIRFAX CITY	UNITED STATES	Not Required	Not Required	FREEDOM BANK OF VIRGINIA, THE	3019982	
OK		Full Service	5405114	CHANTILLY BRANCH	4500 DALY DRIVE, SUITE 240	CHANTILLY	VA	20151	FAIRFAX	UNITED STATES	Not Required	Not Required	FREEDOM BANK OF VIRGINIA, THE	3019982	
OK		Full Service	5533875	MANASSAS BRANCH	10611 BALLS FORD ROAD, SUITE 110	MANASSAS	VA	20109	PRINCE WILLIAM	UNITED STATES	Not Required	Not Required	FREEDOM BANK OF VIRGINIA, THE	3019982	
OK		Full Service	4718947	RESTON BRANCH	11700 PLAZA AMERICA DRIVE, SUITE 110	RESTON	VA	20190	FAIRFAX	UNITED STATES	Not Required	Not Required	FREEDOM BANK OF VIRGINIA, THE	3019982	
OK		Full Service	4585411	VIENNA BRANCH	502 MAPLE AVENUE WEST	VIENNA	VA	22180	FAIRFAX	UNITED STATES	Not Required	Not Required	FREEDOM BANK OF VIRGINIA, THE	3019982	

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Form FR Y-6

FREEDOM FINANCIAL HOLDINGS, INC.

Fiscal Year Ending December 31, 2021

Report Item 3: Securities holders
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2021			Securities holders not listed in 3(1)(a) through 3(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2021		
(1)(a) Name, City, State, Country	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name, City, State, Country	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Joseph J. Thomas Alexandria,VA, USA	USA	391,775 - 5.90% Common Stock	N/A		
Patriot Financial Partners, L.P. Radnor, PA, USA	USA	878,378 - 13.23% Common Stock			

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Form FR Y-6
FREEDOM FINANCIAL HOLDINGS, INC.
Fairfax, Virginia
Fiscal Year Ending December 31, 2021

Report Item 4: Insiders: (1), (2),(3)(a)(b)(c), and (4)(a)(b)(c)

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(1) Name, City, State, Country	(2) Principal occupation, if other than the Holding Company	(3a) Title & Position with the Holding Company	(3b) Title & Position with Subsidiaries	(3c) Title & Position with other Businesses	(4a) Percentage of Voting Shares in the Holding Company	(4b) Percentage of Voting Shares in Subsidaries	(4c) List names of other companies
H. Jason Gold , Washington D.C, USA	Attorney	Chairman	Chairman Freedom Bank of Virginia	N/A	0.89%	N/A	N/A
John Rohrback, Vienna, VA, USA	Retired	Vice Chairman	Vice Chairman Freedom Bank of Virginia	see below Schedule 1	1.76%	N/A	see below Schedule 1
Cynthia Atwater, Reston, VA, USA	Principal of OneDigital	Corporate Secretary	Corporate Secretary Freedom Bank of Virginia	N/A	2.12%	N/A	N/A
Kevin Kooman, Radnor, PA, USA	Partner at Patriot Financial Partners	Board of Director	Board of Director Freedom Bank of Virginia	N/A	0.01%	N/A	N/A
Patriot Financial Partners, Radnor, PA, USA	Equity Firm	Board of Director	Board of Director Freedom Bank of Virginia	N/A	13.23%	N/A	N/A
Brandon C. Park, McLean, VA, USA	Founder & Chief Executive Officer of SuprTEK	Board of Director	Board of Director Freedom Bank of Virginia	see below Schedule 1	0.52%	N/A	see below Schedule 1
Lauren F. McKelvey, Herndon, VA, USA	General Counsel and Chief Compliance Officer at StreetShares	Board of Director	Board of Director Freedom Bank of Virginia	N/A	0.03%	N/A	N/A
Joseph M. English III, McLean, VA, USA	Certified Public Accountant	Board of Director	Board of Director Freedom Bank of Virginia	see below Schedule 1	0.05%	N/A	see below Schedule 1
Maury Peiperl, Fairfax, VA, USA	Dean of the George Mason University	Board of Director	Board of Director Freedom Bank of Virginia	N/A	0.02%	N/A	N/A
Joseph Thomas, Alexandria, VA, USA	N/A	President & Chief Executive Officer/ Board of Director	President & Chief Executive Officer/ Board of Director Freedom Bank of Virginia	see below Schedule 1	5.90%	N/A	see below Schedule 1
Shaun Murphy, Oakton, VA, USA	N/A	EVP & Chief Operating Officer	EVP & Chief Operating Officer Freedom Bank of Virginia	N/A	0.77%	N/A	N/A
Rajesh Mehra, McLean, VA, USA	N/A	EVP & Chief Financial Officer	EVP & Chief Financial Officer Freedom Bank of Virginia	N/A	0.23%	N/A	N/A

Report Item 4: Insider
Schedule 1
12/31/2021

Insider	Name of Company	% of Ownership	Title/ Position
John Rohrback	Riviera Leasing LLC	100%	Managing Member
Brandon C. Park	SuprTEK	73%	CEO
Brandon C. Park	AAC Machias LLC	100%	Partner
Brandon C. Park	Doyen Technologies	49%	Partner
Brandon C. Park	1501 Key Blvd	33%	Partner
Brandon C. Park	UCC LLC	60%	Partner
Brandon C. Park	202 Branch	33%	Partner
Brandon C. Park	AAC 7168 CG	100%	Partner
Joseph M. English III	Burdette Smith & Bish LLC	25%	Partner
Joseph Thomas	Browns Run LLC	100%	Managing Member

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FINANCIAL REPORT

FREEDOM FINANCIAL HOLDINGS, INC.

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Freedom Financial Holdings, Inc. (the "Company") as of December 31, 2021, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, 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, 2021, and the results of its operations and its cash flows for the year then ended, 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 audit. 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 audit in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit 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 audit 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.

Other Matter

The financial statements of The Freedom Bank of Virginia for the year ended December 31, 2020, were audited by other auditors, who expressed an unmodified opinion on those statements on March 9, 2021. As disclosed in Note 1 of the financial statements, a reorganization occurred during 2021 from The Freedom Bank of Virginia to Freedom Financial Holdings, Inc.

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Critical Audit Matter

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

Allowance for Loan Losses - Qualitative Factors

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

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

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

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

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



Crowe LLP

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

Washington, D.C.
March 11, 2022

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

December 31
2021 and 2020

ASSETS	2021	2020
Cash and due from financial institutions	$ 2,536,450	$ 1,792,660
Interest-bearing deposits with banks	31,696,891	25,543,295
Cash and Cash Equivalents	34,233,341	27,335,955
Securities available-for-sale	171,532,394	97,188,125
Securities held to maturity (fair value 2021 - $17,995,774; 2020 - $15,937,655)	18,012,874	16,132,367
Restricted stock investments	3,321,250	3,607,800
Loans held for sale	13,297,125	45,047,711
Loans receivable	602,369,321	550,426,851
Allowance for loan losses	(6,486,120)	(5,454,925)
Net Loans	595,883,201	544,971,926
Premises and equipment, net	1,139,204	1,298,409
Accrued interest receivable	2,466,712	2,868,868
Deferred tax asset, net	1,631,115	1,154,078
Bank-owned life insurance	24,579,879	17,035,214
Right-of-use asset, net	2,704,888	3,258,817
Other assets	7,870,617	7,145,687
TOTAL ASSETS	$876,672,600	$767,044,957

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

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LIABILITIES	2021	2020
Deposits		
Demand deposits		
Non-interest bearing	$ 222,167,095	$ 192,987,984
Interest bearing	300,361,979	176,424,255
Savings deposits	5,841,800	2,962,303
Time deposits	173,322,527	176,114,292
Total Deposits	701,693,401	548,488,834
Federal Home Loan Bank advances	29,035,714	30,071,429
PPP liquidity facility advances	32,055,915	101,951,020
Subordinated debt, net of issuance costs	19,616,869	-
Accrued interest payable	294,237	480,816
Lease liability	2,823,885	3,347,075
Other liabilities	6,993,855	9,247,507
TOTAL LIABILITIES	$ 792,513,876	$ 693,586,681
Commitments and contingent liabilities - See Note 1		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value, 5,000,000 shares authorized; 0 shares issued and outstanding, 2021 and 2020	-	-
Common stock, $0.01 par value, 25,000,000 shares authorized: 23,000,000 shares voting and 2,000,000 shares non-voting.		
Voting Common Stock:		
6,676,545 and 6,610,647 shares issued and outstanding at December 31, 2021 and 2020, respectively (includes 86,788 and 100,002 unvested shares, respectively)	65,898	65,106
Non-Voting Common Stock:		
673,000 shares issued and outstanding at December 31, 2021 and 2020, respectively	6,730	6,730
Additional paid-in capital	59,884,615	59,223,538
Accumulated other comprehensive income, net	651,272	1,340,654
Retained earnings	23,550,209	12,822,248
Total Stockholders' Equity	84,158,724	73,458,276
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 876,672,600	$ 767,044,957

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

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CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31
2021 and 2020

	2021	2020
INTEREST INCOME		
Interest and fees on loans	$ 28,335,210	$ 22,133,659
Interest on investment securities		
Taxable	2,607,476	1,902,627
Tax-exempt	528,259	386,033
Interest on deposits with banks	86,903	109,557
Total Interest Income	31,557,848	24,531,876
INTEREST EXPENSE		
Interest on deposits	2,275,780	4,238,596
Interest on borrowings	766,060	824,708
Total Interest Expense	3,041,840	5,063,304
Net Interest Income	28,516,008	19,468,572
PROVISION FOR LOAN LOSSES	839,000	1,492,000
Net Interest Income After Provision for Loan Losses	27,677,008	17,976,572
NON-INTEREST INCOME		
Gain on sale of mortgage loans	7,085,806	12,296,296
Gain on sale of SBA-guaranteed loans	437,825	-
Gain on sale of investment securities	5,706	46,703
Service charges and other income	1,456,600	1,805,228
Loan servicing income	192,413	-
Swap fee income	-	657,712
Increase in cash surrender value of bank-owned life insurance	544,665	494,403
Bank-owned life insurance settlement income	-	144,810
Total Non-Interest Income	9,723,015	15,445,152
NON-INTEREST EXPENSES		
Officer and employee compensation and benefits	16,341,245	16,233,421
Occupancy expense	1,232,056	1,194,320
Equipment and depreciation expense	662,050	735,374
Insurance expense	267,583	196,442
Professional fees	1,365,057	1,298,943
Data and item processing	1,181,347	1,012,601
Business development	329,059	278,602
Franchise taxes	778,069	725,466
Mortgage fees and settlements	1,141,200	1,952,049
Other operating expense	846,850	711,503
Total Non-Interest Expenses	24,144,516	24,338,721

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

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	2021	2020
INCOME BEFORE INCOME TAXES	13,255,507	9,083,003
INCOME TAX EXPENSE	2,527,546	1,718,526
NET INCOME	$ 10,727,961	$ 7,364,477
EARNINGS PER COMMON SHARE - BASIC	$ 1.47	$ 1.02
EARNINGS PER COMMON SHARE - DILUTED	$ 1.46	$ 1.01
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - BASIC	7,316,505	7,247,895
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - DILUTED	7,363,536	7,278,705

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31
2021 and 2020

	2021	2020
Net Income	$ 10,727,961	$ 7,364,477
Other Comprehensive Income:		
Unrealized gains/losses on securities:		
Unrealized holdings gain/(loss) arising during the period	(1,551,958)	1,871,106
Reclassification adjustment for losses (gains) included in net income	(5,706)	(46,703)
Tax effect	360,284	(400,997)
Net of Tax	(1,197,380)	1,423,406
Unrealized gains/losses on cash flow hedge:		
Unrealized holding gain/(loss)	663,273	(68,561)
Reclassification adjustment for losses (gains) included in net income	-	-
Tax effect	(155,275)	15,083
Net of Tax	507,998	(53,478)
Total Other Comprehensive Income (Loss)	(689,382)	1,369,928
COMPREHENSIVE INCOME	$ 10,038,579	$ 8,734,405

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

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31

2021 and 2020

	Voting and Non-Voting					
	SHARES OF COMMON STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
BALANCE, JAN. 1, 2020	7,100,546	$ 71,005	$58,526,913	$ (29,274)	$ 5,457,771	$ 64,026,415
Net income	-	-	-	-	7,364,477	7,364,477
Other comprehensive income	-	-	-	1,369,928	-	1,369,928
Stock options exercised	49,896	499	286,403	-	-	286,902
Restricted stock - vested, net of shares withheld	33,203	332	(332)	-	-	-
Stock-based compensation - stock options	-	-	14,498	-	-	14,498
Stock-based compensation - restricted stock	-	-	396,056	-	-	396,056
BALANCE, DEC. 31, 2020	7,183,645	$ 71,836	$59,223,538	$ 1,340,654	$12,822,248	$ 73,458,276
Effect for reorganization	-	-	-	-	-	-
Net income	-	-	-	-	10,727,961	10,727,961
Other comprehensive loss	-	-	-	(689,382)	-	(689,382)
Stock options exercised	33,264	333	198,253	-	-	198,586
Restricted stock - vested, net of shares withheld	45,848	459	(459)	-	-	-
Stock-based compensation - stock options	-	-	615	-	-	615
Stock-based compensation - restricted stock	-	-	462,668	-	-	462,668
BALANCE, DEC. 31, 2021	7,262,757	$ 72,628	$59,884,615	$ 651,272	$23,550,209	$ 84,158,724

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
2021 and 2020

CASH FLOWS FROM OPERATING ACTIVITIES	2021	2020
Net income	$ 10,727,961	$ 7,364,477
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	839,000	1,492,000
Depreciation and amortization of premises and equipment	186,309	254,675
Net amortization of available-for-sale securities	1,207,356	913,055
Deferred income tax benefit	(272,026)	(682,296)
Net realized gains on sales of investment securities	(5,706)	(46,703)
Net gain on sale of mortgage loans	(7,085,806)	(12,296,296)
Net gain on sale of SBA guaranteed loans	(437,825)	-
Loans held for sale originated	(336,806,440)	(469,549,472)
Proceeds from the sale of loans held for sale	376,442,023	447,655,668
Proceeds from the sale of SBA loans	3,767,920	-
Stock-based compensation expense	463,283	410,554
Loss on disposition of premises and equipment	-	33,220
Subordinated debt amortization expense	6,494	-
Earnings on company-owned life insurance	(544,665)	(494,403)
Repayment of operating lease liabilities	30,739	35,672
(Increase) decrease in:		
Accrued interest receivable	402,156	(1,590,831)
Other assets	(724,930)	(840,799)
Increase (decrease) in:		
Accrued interest payable	(186,579)	47,230
Other liabilities	(1,590,381)	2,307,478
Net Cash Provided (Used) by Operating Activities	46,418,883	(24,986,771)

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
2021 and 2020

CASH FLOWS FROM INVESTING ACTIVITIES	2021	2020
Available-for-sale securities:		
Proceeds from sales	$ 1,437,181	$ 4,798,905
Maturities, prepayments and calls	31,665,477	26,101,185
Purchases	(110,206,241)	(77,275,251)
Held-to-maturity securities:		
Maturities, prepayments and calls	8,404,493	4,918,581
Purchases	(10,285,000)	(21,050,948)
Sale of restricted stock investments, net	286,550	144,950
Loan originations (not including PPP), net	(81,114,911)	(37,778,879)
PPP loan origination	(53,887,807)	(110,050,844)
PPP loan payments	122,747,732	8,835,469
SBA loan origination, net	(3,624,581)	-
Purchased loans, net of payments	(39,999,994)	(17,850,300)
Acquisition of premises and equipment	(27,104)	(105,769)
Purchase of company-owned life insurance	(7,000,000)	(4,000,000)
Proceeds from settlement of BOLI policy	-	242,794
Net Cash Used in Investing Activities	(141,604,205)	(223,070,107)

CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits, net	$ 153,204,567	$ 153,278,218
Advances from the Federal Home Loan Bank	15,000,000	35,000,000
Repayment of advances from the Federal Home Loan Bank	(16,035,715)	(40,785,714)
Advances from the Payment Protection Plan Liquidity Facility ("PPPLF")	53,887,807	110,050,844
Repayment of advances from the PPPLF	(123,782,912)	(8,099,824)
Proceeds from subordinated debt, net of issuance costs	19,610,375	-
Proceeds from stock options	198,586	286,902
Net Cash Provided in Financing Activities	102,082,708	249,730,426
Net Increase in Cash and Cash Equivalents	6,897,386	1,673,548
Cash and Cash Equivalents, Beginning of Year	27,335,955	25,662,407
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 34,233,341	$ 27,335,955

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
2021 and 2020

SUPPLEMENTAL NONCASH DISCLOSURES	2021	2020
Unrealized gain (loss) on securities available-for-sale, net	$ (1,557,664)	$ 1,824,403
Loans transferred (to)/from held-for-sale from/to portfolio	$ (799,191)	$ 799,191
Right-of-use assets obtained in exchange for lease liabilities	$ 372,153	$ 1,182,317
Unrealized gain (loss) on cash flow derivative	$ 663,273	$ (68,561)
Unfunded commitment on limited partnership investments	$ 3,033,013	$ 4,361,698

SUPPLEMENTAL INFORMATION		
Cash paid during the year for interest	$ 3,228,419	$ 5,016,075
Cash paid during the year for income taxes	$ 3,400,000	$ 1,825,000

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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. It is subject to the rules and regulations of the Virginia State Banking Commission, the Federal Reserve and the Federal Deposit Insurance Corporation ("FDIC"). The Company provides banking services at its branch offices in Vienna, Fairfax, Chantilly, Reston and Manassas, Virginia, and serves customers primarily in the Northern Virginia area. Additionally, the Company has a mortgage division located in Chantilly, Virginia and a small business lending division in Harrison, New York.

The Company was incorporated on August 18, 2021, by and at the direction of the board of directors of the Bank, for the sole purpose of acquiring the Bank and serving as the Bank's parent bank holding company pursuant to a corporate reorganization transaction (the "Reorganization"). On September 21, 2021, the Bank entered into an Agreement and Plan of Reorganization (the "Reorganization Agreement") with the Company and Freedom Merger Sub, Inc. (the "Merger Sub"), a wholly-owned subsidiary of the Company, pursuant to which the Reorganization would be effected. Effective at 12:01 a.m. (the "Effective Time") on November 1, 2021, under the terms of the Reorganization Agreement and pursuant to Section 13.1-719.1 of the Virginia Stock Corporation Act (the "VSCA"), the Bank merged with the Merger Sub and survived such merger as a wholly-owned subsidiary of the Company. Prior to the Effective Time, the Company had no material assets and had not conducted any business or operations except for activities related to the Company's formation and the Reorganization.

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

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

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

PRINCIPLES OF CONSOLIDATION

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

RECLASSIFICATION

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

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported

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amounts of revenue and expenses during the reporting period. Significant estimates affecting the Company's consolidated financial statements relate to the allowance for loan losses, the valuation of the deferred tax assets and other-than-temporary impairment assessments for investment securities. Actual results could differ from those estimates.

OPERATING SEGMENTS

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

CASH AND CASH EQUIVALENTS

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

INVESTMENT SECURITIES

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

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

RESTRICTED STOCK INVESTMENTS

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

LOANS HELD-FOR-SALE

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

LOANS AND LOAN FEES

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

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

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

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

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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 on the balance sheet. Because the IRLCs are not designated as hedging instruments, adjustments to reflect unrealized gains and losses resulting from changes in fair value of the IRLCs are reported as noninterest income.

ALLOWANCE FOR LOAN LOSSES

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

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

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

PREMISES AND EQUIPMENT

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

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

SERVICING RIGHTS

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

Servicing fee income, which is reported on the income statement as Loan Servicing Income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. Servicing fees totaled $192,413 and $0 for the years ended December 31, 2021 and 2020, respectively.

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OTHER REAL ESTATE OWNED

Real estate properties acquired through or in lieu of loan foreclosures are initially recorded at the fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write downs are recorded as a charge to non-interest expense, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. The Company had no other real estate owned at December 31, 2021 and 2020.

BANK-OWNED LIFE INSURANCE

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

DERIVATIVES

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

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

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

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

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

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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 any other holder (a "Related Holder") of the Corporations 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.

	2021	2020
Average number of common shares outstanding	7,316,505	7,247,895
Effect of dilutive options	47,031	30,810
Average number of common shares outstanding used to calculate diluted earnings per common share	7,363,536	7,278,705

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There were no antidilutive options for the year ended December 31, 2021. Stock options for 22,734 shares of common stock were not considered in computing diluted earnings per common share for the year ended December 31, 2020 because they were antidilutive. 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 consolidated 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

Comprehensive income 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, letter of credit fees and gains on sale of loans held for sale, none of which are within the scope of ASC *606*.

RECENT ACCOUNTING PRONOUNCEMENTS

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

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The guidance requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of operations will reflect the measurement of credit losses for newly-recognized financial assets as well as the

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expected increases or decreases of expected credit losses that have taken place during the period. The amendments will be effective for the Company for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. Early adoption is permitted for all organizations beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of this guidance on the consolidated financial statements.

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

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

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

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

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

2. Restriction of Cash and Due from Banks

The Company is required to maintain reserve funds in cash or on deposit with the Federal Reserve. The required reserve at December 31, 2021 and 2020 was $0. Additionally, the Company is required to pledge cash as collateral for its derivative positions with its counterparty. The required reserve at December 31, 2021 and 2020 was $0 and $400,000, respectively.

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3. Investment Securities

The amortized cost and fair values of securities as shown in the balance sheets of the Company are as follows:

DEC. 31, 2021	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Available-for-sale				
Corporate notes	$ 34,398,302	$ 601,929	$ (752,980)	$ 34,247,251
Mortgage-backed securities	61,976,349	513,544	(569,089)	61,920,804
Municipal securities - tax exempt	11,355,094	344,748	(16,702)	11,683,140
Municipal securities - taxable	25,200,345	296,819	(261,364)	25,235,800
SBA loan pools	6,748,930	23,342	(85,073)	6,687,199
Asset-backed securities	6,648,047	270,828	(11,772)	6,907,103
Private-label mortgage-backed securities	18,965,820	2,925	(125,488)	18,843,257
Private-label collateralized loan obligations	6,009,823	-	(1,983)	6,007,840
Total Available-for-sale	$ 171,302,710	$2,054,135	$ (1,824,451)	$ 171,532,394

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

DEC. 31, 2020	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Available-for-sale				
Corporate notes	$ 19,763,774	$ 174,642	$ (60,059)	$ 19,878,357
Mortgage-backed securities	43,853,112	817,934	(57,672)	44,613,374
Municipal securities - tax exempt	9,714,912	321,625	-	10,036,537
Municipal securities - taxable	13,255,621	298,644	(5,834)	13,548,431
SBA loan pools	3,582,406	26,128	(70,687)	3,537,847
Asset backed securities	5,230,952	342,627	-	5,573,579
Total Available-for-sale	$ 95,400,777	$1,981,600	$ (194,252)	$ 97,188,125

	AMORTIZED COST	GROSS UNRECOGNIZED GAINS	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity				
Municipal securities - tax exempt	$ 13,951,910	$ -	$ (8,784)	$ 13,943,126
Municipal securities - taxable	2,180,457	-	(185,928)	1,994,529
Total Held-to-maturity	$ 16,132,367	$ -	$ (194,712)	$ 15,937,655

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The amortized cost and estimated fair value of debt securities at December 31, 2021, by contractual maturity, are as follows:

	AVAILABLE-FOR-SALE		HELD-TO-MATURITY	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Amounts maturing in				
1 year or less	$ -	$ -	$ -	$ -
After 1 year - 5 years	6,533,621	6,619,784	1,247,607	1,216,693
After 5 years - 10 years	34,209,560	34,038,493	4,000,000	4,000,000
After 10 years	49,617,360	50,110,056	12,765,267	12,779,081
	90,360,541	90,768,333	18,012,874	17,995,774
Mortgage-backed securities	80,942,169	80,764,061	-	-
	$ 171,302,710	$171,532,394	$ 18,012,874	$ 17,995,774

Expected maturities will differ from contractual maturities because issuers may 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.

At December 31, 2021 and 2020, the Company had no pledged securities.

Information pertaining to securities with gross unrealized losses at December 31, 2021, 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	
	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE
DEC. 31, 2021				
Available-for-sale				
Corporate notes	$ 735,480	$ 17,724,598	$ 17,500	$ 482,500
Mortgage-backed securities	467,468	31,363,925	101,621	3,228,472
Municipal securities - tax exempt	16,702	2,339,460	-	-
Municipal securities - taxable	252,622	10,797,126	8,742	246,258
SBA loan pools	30,426	2,892,392	54,647	1,677,044
Asset-backed securities	11,772	2,000,507	-	-
Private-label mortgage-backed securities	125,488	15,896,175	-	-
Private-label collateralized loan obligations	1,983	4,007,840	-	-
TOTALS	$ 1,641,941	$ 87,022,023	$ 182,510	$ 5,634,274
	GROSS UNRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity				
Municipal securities - tax exempt	$ 30,914	$ 1,216,693	$ -	$ -
Municipal securities - taxable	-	-	123,963	1,894,024
	$ 30,914	$ 1,216,693	$ 123,963	$ 1,894,024

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	LESS THAN 12 MONTHS		OVER 12 MONTHS	
	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE
DEC. 31, 2020				
Available-for-sale				
Corporate notes	$ 36,247	$ 8,435,868	$ 23,812	$ 976,188
Mortgage-backed securities	17,588	2,507,998	40,084	2,471,976
Municipal securities - taxable	5,834	3,204,330	-	-
SBA loan pools	-	-	70,687	2,103,941
TOTALS	$ 59,669	$ 14,148,196	$ 134,583	$ 5,552,105
	GROSS NRECOGNIZED LOSSES	FAIR VALUE	GROSS UNRECOGNIZED LOSSES	FAIR VALUE
Held-to-maturity				
Municipal securities - tax exempt	$ 8,784	$ 9,361,510	$ -	$ -
Municipal securities - taxable	185,928	1,994,529	-	-
	$ 194,712	$ 11,356,039	$ -	$ -

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

At December 31, 2021, seventy-eight debt securities with an unrealized loss for less than one year and twenty debt securities with an unrealized loss for greater than one year depreciated approximately 1.99 percent from the Company's amortized cost basis. Thirty-six 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, three are tax-exempt municipal securities, fourteen are taxable municipal securities, twelve are Small Business Administration (SBA) securities, seventeen are corporate bonds, eleven are private-label MBS, one is an Asset Based Security (ABS), and four are private-label Collateralized Loan Obligations (CLO). These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the Federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, management feels that the unrealized losses on the securities are not deemed to be other-than-temporary.

The proceeds from sales and calls of securities and the associated gains and losses are listed below as of December 31.

	2021	2020
Proceeds	$ 1,437,181	$ 4,798,905
Gross gains	19,199	46,703
Gross losses	13,493	-

The tax provision related to these net realized gains and losses was $1,337 and $9,808 for the years ended December 31, 2021 and 2020, respectively.

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Restricted stock investments consist of the following at December 31:

	2021	2020
Federal Reserve Bank stock	$ 1,782,750	$ 1,764,700
Federal Home Loan Bank stock	1,472,500	1,777,100
Community Bankers Bank stock	66,000	66,000
TOTALS	$ 3,321,250	$ 3,607,800

4. Loans Receivable

Loans receivable include the following at December 31:

	2021	2020
Commercial and industrial	$ 131,697,086	$ 188,140,971
Real estate - commercial	350,262,626	280,043,149
Real estate - construction	33,462,692	16,835,445
Real estate - residential	54,346,882	53,335,262
Consumer and other	33,682,890	14,953,647
Loans, gross	603,452,176	553,308,474
Deferred loan fees, net	(1,082,855)	(2,881,623)
Loans receivable	602,369,321	550,426,851
Allowance for loan losses	(6,486,120)	(5,454,925)
Loans, net	$ 595,883,201	$ 544,971,926

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

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

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

Real estate - residential and home equity loans: This portfolio consists of residential first and second deed of trust 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.

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

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

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

YEAR 2020	COMMERCIAL & INDUSTRIAL	REAL ESTATE - COMMERCIAL	REAL ESTATE - CONSTRUCTION	REAL ESTATE - RESIDENTIAL	CONSUMER	TOTAL
Allowance for Loan Losses						
Beginning balance	$ 805,618	$ 2,549,955	$ 163,258	$ 473,571	$ 129,291	$ 4,121,693
Charge-offs	(167,768)	-	-	-	-	(167,768)
Recoveries	8,000	-	-	1,000	-	9,000
Provision	205,008	1,353,483	56,329	(86,053)	(36,767	1,492,000
Ending Balance	$ 850,858	$ 3,903,438	$ 219,587	$ 388,518	$ 92,524	$ 5,454,925
Individually evaluated for impairment	-	-	-	2,353	-	2,353
Collectively evaluated for impairment	850,858	3,903,438	219,587	386,165	92,524	5,452,572
Loans Receivable						
Ending Balance	$188,140,971	$280,043,149	$ 16,835,445	$ 53,335,262	$ 14,953,647	$553,308,474
Individually evaluated for impairment	$ 668,361	$ 3,858,376	$ -	$ 3,068,192	$ -	$ 7,594,929
Collectively evaluated for impairment	187,472,610	276,184,773	16,835,445	50,267,070	14,953,647	545,713,545

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

YEAR 2021	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE	CURRENT	TOTAL LOANS RECEIVABLE	NONACCRUAL LOANS
Commercial and industrial	$ -	$ -	$1,066,739	$1,066,739	$130,630,347	$131,697,086	$ 1,048,101
Real estate - commercial	856,188	916,832	1,301,732	3,074,752	347,187,874	350,262,626	7,487,957
Real estate - construction	-	-	-	-	33,462,692	33,462,692	-
Real estate - residential	-	-	-	-	54,346,882	54,346,882	-
Consumer	-	-	-	-	33,682,890	33,682,890	-
TOTALS	$ 856,188	$ 916,832	$2,368,471	$4,141,491	$599,310,685	$603,452,176	$ 8,536,058
YEAR 2020							
Commercial and industrial	$ -	$ -	$ -	$ -	$188,140,971	$188,140,971	$ -
Real estate - commercial	-	-	1,557,073	1,557,073	278,486,076	280,043,149	1,563,108
Real estate - construction	-	-	-	-	16,835,445	16,835,445	-
Real estate - residential	-	-	1,615,228	1,615,228	51,720,034	53,335,262	1,615,228
Consumer	-	-	-	-	14,953,647	14,953,647	-
TOTALS	$ -	$ -	$ 3,172,301	$ 3,172,301	$550,136,173	$553,308,474	$ 3,178,336

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

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

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YEAR 2020	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE FOR LOAN LOSSES	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
With no related allowance recorded:					
Commercial and industrial	$ 668,361	$ 668,361	$ -	$ 782,678	$ 45,808
Real estate - commercial	3,858,376	3,859,931	-	3,899,716	125,644
Real estate - construction	-	-	-	-	-
Real estate - residential	1,452,964	1,452,964	-	1,478,917	89,567
Consumer	-	-	-	-	-
With an allowance recorded:					
Commercial and industrial	-	-	-	-	-
Real estate - commercial	-	-	-	-	-
Real estate - construction	-	-	-	-	-
Real estate - residential	1,615,228	1,738,228	2,353	1,642,728	55,000
Consumer	-	-	-	-	-
TOTAL					
Commercial and Industrial	668,361	668,361	-	782,678	45,808
Real Estate - Commercial	3,858,376	3,859,931	-	3,899,716	125,644
Real Estate - Construction	-	-	-	-	-
Real Estate - Residential	3,068,192	3,191,192	2,353	3,121,645	144,567
Consumer	-	-	-	-	-
	$ 7,594,929	$ 7,719,484	$ 2,353	$ 7,804,039	$ 316,019

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.

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

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

YEAR 2020	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL
Commercial and industrial	$186,482,853	$ 989,757	$ 668,361	$ -	$ -	$188,140,971
Real estate - commercial	269,613,896	6,570,877	3,858,376	-	-	280,043,149
Real estate - construction	16,835,445	-	-	-	-	16,835,445
Real estate - residential	49,011,982	798,411	3,524,869	-	-	53,335,262
Consumer	14,953,647	-	-	-	-	14,953,647
TOTALS	$536,897,823	$ 8,359,045	$ 8,051,606	$ -	$ -	$553,308,474

TROUBLED DEBT RESTRUCTURINGS

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

As of December 31, 2021 and December 31, 2020, the Company had $0 in recorded investment in troubled debt restructurings. Additionally, no loans were classified as TDRs during the reporting periods. As such, there was no specific reserve allocated to these types of loan classifications at December 31, 2021 and December 31, 2020.

PAYMENT PROTECTION PLAN LOANS

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

As an approved SBA lender, the Company participated in the PPP loan program, processed and funded 512 loans with original balances of $109.60 million in the second and third quarter. As of December 31, 2021, and 2020 there were 178 and 474 PPP loans with an outstanding balance of $32.36 million and $101.21 million, respectively. These loans have $873,828 and $1,941,032 in remaining net unearned fees for the years then ended. These loans are included with commercial and industrial loans and have no allowance for loan loss reserve recorded as they all carry a full faith and guarantee by the SBA.

CARES ACT LOAN DEFERRALS

During the year ended December 31, 2020, pursuant to the CARES Act and interagency guidance on loan modifications related to COVID-19, the Company granted loan payment deferrals of up to six months to ninety-six borrowers representing $89.35 million of outstanding loan balances at the time of deferral. The Company elected to account for all modifications under Section 4013 of the CARES Act thereby receiving temporary relief from troubled debt restructuring classification. As of December 31, 2020, thirteen loans with a total outstanding loan balance of $13.92 million were in deferral. All loans completed their contractual deferral periods in the first quarter of 2021. There were no loans under loan payment deferrals as of December 31, 2021.

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OTHER MATTERS

During the year ended December 31, 2021, the Company purchased 510 unsecured consumer-purpose loans with an aggregate unpaid principal balance of $25.45 million at the time of purchase. The pool was purchased at a discount which will be accreted to income over the weighted average life of the pool which was calculated as 5.5 years. These loans are categorized as Consumer and Other in the tables presented.

The Company has entered into transactions with certain directors, executive officers, and their affiliates. The aggregate amount of loans outstanding to such related parties, as defined by Item 404 of SEC Regulation S-K, was $6,228,202 and $12,469,246 at December 31, 2021 and 2020, respectively. New loans made to such related parties amounted to $0, and repayments amounted to $169,169 in 2021. One loan with a balance of $6,071,875 at December 31, 2020 was paid in full during the year ended December 31, 2021.

5. Premises and Equipment

Premises and equipment include the following as of December 31:

	2021	2020
Furniture and equipment	$ 1,520,382	$ 1,554,549
Leasehold improvements	1,465,923	1,463,207
Software	181,211	180,115
Total Cost	3,167,516	3,197,871
Less accumulated depreciation	(2,028,312)	(1,899,462)
NET BANK PREMISES AND EQUIPMENT	$ 1,139,204	$ 1,298,409

Depreciation and amortization of Company premises and equipment charged to expense amounted to $186,309 and $254,675 in 2021 and 2020, respectively.

6. Other Assets

Other Assets include the following as of December 31:

	2021	2020
Investment in limited partnership - Small Business Investment Company	$ 1,495,674	$ 1,495,674
Investment in limited partnership - Low Income Housing Investment Fund	3,247,613	3,492,013
Accounts receivable	752,113	540,124
Interest rate lock commitment	183,807	870,844
Prepaid expenses	739,704	691,715
Fair value of derivative instruments	1,305,527	-
Other assets	146,179	55,317
TOTAL	$ 7,870,617	$ 7,145,687

During the year ended December 31, 2020, the Company committed $1.5 million to a Small Business Investment Company ("SBIC") with a sector focus in Communications Infrastructure and Technology ("CIT"). The investment is scheduled to phase in via General Partner ("GP") capital calls beginning in the fourth quarter of 2020 and phasing in entirely over an estimated eighteen month period. The Company's financial investment in this SBIC limited partnership will not constitute a greater than 3% interest in the general partnership; therefore, the investment is recorded at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investments of the same issuer. The Company has recognized a liability, in other liabilities, representing the unfunded portion of the partnership commitment. During the years ended December 31, 2021 and 2020, the Company had received and paid capital calls for $407,447 and $329,272, respectively.

During the year ended December 31, 2020, the Company committed $3.5 million to a Low Income Housing Tax Credit ("LIHTC") investment. The partnership was formed to pursue and make investments in multifamily rental apartment complexes rented, in whole or in part, to qualified low- and moderate-income tenants. The Company's financial investment in this limited partnership will not constitute a greater than 3% interest in the general partnership; therefore, the investment is recorded at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investments of the same issuer. The Company has recognized a liability, in other liabilities, representing the unfunded portion of the partnership commitment. During the years ended December 31, 2021 and 2020, the Company had received and paid capital calls for $921,238 and $309,030, respectively.

7. Deposits

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

2022	$ 129,556,093
2023	29,960,095
2024	9,689,055
2025	2,506,380
2026	1,564,606
THEREAFTER	46,298
TOTAL	$ 173,322,527

Time deposits in denominations that meet or exceed the FDIC minimum limit of $250,000 or more totaled $67,738,195 and $83,000,897 at December 31, 2021 and 2020, respectively.

The Company held related party deposits of $5,521,014 and $11,946,073 at December 31, 2021 and 2020, respectively.

8. Borrowings and Advances

The Company's borrowings from the Federal Home Loan Bank of Atlanta (FHLB) were $29.04 million and $30.07 million at December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, the weighted average rates on FHLB advances were 0.67% and 1.59%, respectively. These advances were secured by a blanket collateral agreement with the FHLB pledging the Company's portfolio of residential first mortgage loans with a collateral value of $93.5 million and $104.2 million, respectively.

FHLB advances are subject to prepayment penalties. During the year ended December 31, 2021 and 2020, 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, re-borrow funds on different terms, or convert the advance to a three-month floating rate advance tied to LIBOR (or a replacement index as not yet determined). The Company had no callable FHLB advances at December 31, 2021 and 2020.

Advances from the FHLB are summarized by year of maturity and weighted average interest rate at December 31, 2021:

	AMOUNT	WEIGHTED AVERAGE RATE
2022	$ 9,035,714	1.08%
2023	-	N/A
2024	-	N/A
2025	-	N/A
2026	-	N/A
THEREAFTER	20,000,000	0.48%
TOTAL	$ 29,035,714	

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The Company has utilized the Federal Reserve Board's ("FRB") Payment Protection Plan Liquidity Facility ("PPPLF") to provide match funding for Payment Protection Plan ("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 $32.06 million and $101.95 million at December 31, 2021 and 2020, respectively. The weighted average rate on PPPLF advances was 0.35% at December 31, 2021 and 2020.

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 $19,616,869 for the year ended December 31, 2021.

10. Other Liabilities

Other liabilities include the following as of December 31:

	2021	2020
Unfunded commitment in limited partnership - Small Business Investment Company	$ 763,281	$ 1,170,728
Unfunded commitment in limited partnership - Low Income Housing Investment Fund	2,269,732	3,190,970
Accrued expenses	2,620,438	2,727,102
Automated Clearing House (ACH) transactions pending	199,859	1,555,775
Accounts payable	188,108	425,438
Fair value of derivative instruments	710,815	68,561
Other liabilities	241,622	108,933
TOTAL	$ 6,993,855	$ 9,247,507

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11. Income Taxes

	2021	2020
Deferred Tax Assets		
Allowance for loan losses	$ 1,409,601	$ 1,184,064
Unearned loan fees and costs, net	38,145	187,081
Accrued compensation	437,358	394,984
Non-accrual loan interest	19,337	32,933
Restricted stock	75,818	79,541
Lease liability	593,016	702,886
Unrealized losses on cash flow hedges	-	15,083
Other	19,777	32,129
	2,593,052	2,628,701
Deferred Tax Liabilities		
Depreciation	181,713	208,650
Unrealized gains on securities	48,233	393,217
Unrealized gains on cash flow hedges	124,890	-
Right-of-use asset	567,155	683,728
Interest rate lock	39,946	189,028
	961,937	1,474,623
NET DEFERRED TAX ASSET	$ 1,631,115	$ 1,154,078

Income tax expense was the following as of December 31:

	2021	2020
Current tax expense		
Federal	$ 2,678,042	$ 2,320,377
State	121,530	80,445
Deferred tax expense (benefit)		
Federal	(259,820)	(612,352)
State	(12,206)	(69,944)
	$ 2,527,546	$ 1,718,526

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

	2021	2020
Federal statutory rate times financial statement income	$ 2,783,657	$ 1,907,431
Effect of:		
State income taxes, net of federal benefit	86,639	8,296
Tax-exempt interest income, net of disallowance	(102,674)	(71,192)
Earnings from bank-owned life insurance	(114,380)	(134,235)
Net operating loss carryback benefit	-	(87,701)
Unrecognized tax benefits, net	(31,380)	62,397
Stock compensation	(65,354)	10,798
Low-income housing investment benefit	(60,911)	(1,956)
Other	31,949	24,688
	$ 2,527,546	$ 1,718,526

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020. Under the CARES Act, net operating losses arising in tax years beginning after December 31, 2017, and before January 1, 2021 can be carried back five tax years preceding the tax year which the loss originated. In the 2018 tax year, the Company generated a net operating loss which it carried back following the passage of the CARES Act. As a result, the Company recorded a tax benefit of $87,701 for the year ended December 31, 2020 due to federal statutory rates being higher in the carry back year than the 2018 tax year.

A reconciliation of the beginning and ending amount of unrecognized tax benefits were the following as of December 31:

	2021	2020
Balance, beginning of year	$ 69,605	$ -
Increases related to prior tax positions	-	69,605
Decreases related ot prior tax positions	-	-
Increases related to current tax positions	-	-
Settlements	-	-
Lapse of statute	(33,569)	-
Balance, end of year	$ 36,036	$ 69,605

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 by the Internal Revenue Services for the tax periods ending after December 31, 2017. The Company is subject to examination by state taxing authorities for the tax year beginning January 1, 2021, it's initial year of filing in income tax jurisdictions.

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.

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

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

The Bank and Holding Company's actual capital amounts and ratios as of December 31, 2021 and 2020 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, 2021						
Total capital (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$108,793,573	15.66%	$ 72,945,150	10.50%	N/A	N/A
The Freedom Bank of Virginia	$107,139,930	15.42%	$ 72,945,150	10.50%	$ 69,471,571	10.00%
Tier 1 capital (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$ 84,158,725	12.11%	$ 59,050,835	8.50%	N/A	N/A
The Freedom Bank of Virginia	$100,653,810	14.49%	$ 59,050,835	8.50%	$ 55,577,257	8.00%
Common Equity Tier 1 (to risk-weighted assets)						
Freedom Finanical Holdings, Inc.	$ 83,507,453	12.02%	$ 48,630,100	7.00%	N/A	N/A
The Freedom Bank of Virginia	$100,653,810	14.49%	$ 48,630,100	7.00%	$ 45,156,521	6.50%
Tier 1 capital (to adjusted average assets)						
Freedom Finanical Holdings, Inc.	$ 83,507,453	9.84%	$ 33,964,861	4.00%	N/A	N/A
The Freedom Bank of Virginia	$100,653,810	11.85%	$ 33,964,861	4.00%	$ 42,456,077	5.00%

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	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		MINIMUM TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
DEC. 31, 2020						
Total capital (to risk-weighted assets)						
The Freedom Bank of Virginia	$ 77,572,547	14.21%	$ 57,310,313	10.50%	$ 54,581,251	10.00%
Tier 1 capital (to risk-weighted assets)						
The Freedom Bank of Virginia	$ 72,117,624	13.21%	$ 46,394,063	8.50%	$ 43,665,000	8.00%
Common Equity Tier 1 (to risk-weighted assets)						
The Freedom Bank of Virginia	$ 72,117,624	13.21%	$ 38,206,875	7.00%	$ 35,477,813	6.50%
Tier 1 capital (to adjusted average assets)						
The Freedom Bank of Virginia	$ 72,117,624	11.20%	$ 25,758,677	4.00%	$ 32,198,346	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, 2021, $20,797,655 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 $24 million as of December 31, 2021 and 2020, were designated as cash flow hedges on certain brokered deposits and were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms of the swaps.

Derivatives Not Designated As Hedges: The Company also enters into interest rates swaps with its loan customers. The notional amount of interest rate swaps with its loan customers as of December 31, 2021 and 2020 were $25,932,608 and $26,625,624, 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, 2021.

LINE ITEM IN THE BALANCE SHEET IN WHICH THE HEDGED ITEM IS INCLUDED	CARRYING AMOUNT OF THE HEDGED LIABILITIES		CUMULATIVE AMOUNT OF FAIR VALUE HEDGING ADJUSTMENT INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED LIABILITY	
	2021	2020	2021	2020
Brokered Deposits	$ 14,000,000	$ 14,000,000	$ -	$ -
Brokered Time Deposits	$ 10,000,000	$ 10,000,000	$ -	$ -

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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:

	2021		2020	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Included in other liabilities:				
Derivatives designated as hedges:				
Interest rate swaps related to brokered deposits	$14,000,000	$ 379,789	$14,000,000	$ 19,082
Interest rate swaps related to brokered time deposits	10,000,000	214,923	10,000,000	(87,643)
TOTAL INCLUDED IN OTHER LIABILITIES	$24,000,000	$ 594,712	$24,000,000	$ (68,561)

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:

	2021		
	AMOUNT OF GAIN (LOSS) RECOGNIZED IN OCI ON DERIVATIVE	LOCATION OF GAIN (LOSS) RECLASSIFIED FROM OCI INTO INCOME	AMOUNT OF GAIN (LOSS) RECLASSIFIED FROM OCI INTO INCOME
Interest rate contracts	$ 469,822	N/A	$ -
	2020		
	AMOUNT OF GAIN (LOSS) 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	$ (53,478)	N/A	$ -

For the years ended December 31, 2021 and 2020 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, 2021:

	AUTHORIZED	GRANTED	VESTED/ CANCELLED/ FORFEITED
2007 Plan	1,075,280	854,512	655,579

The stock options shall not be exercisable more than ten years after the date such option is granted. Shares typically vest over periods ranging from one to four years. At December 31, 2021, there is no remaining amortization expense to be recognized on outstanding stock options. At December 31, 2020, there was approximately $615 in unrecognized compensation expense related to non-vested share-based compensation.

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The intrinsic value of options exercised during 2021 and 2020 was $246,154 and $167,152 respectively. The weighted average remaining contractual life of options outstanding was 1.78 and 2.60 years for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 all outstanding options are fully vested. The intrinsic value of these fully vested options at December 31, 2021 was $492,474.

The following summarizes the option activity under the Plan:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
BALANCE AT JANUARY 1, 2020	167,034	$ 6.47
Grants	-	-
Exercised	(49,896)	5.75
Expired	(1,575)	9.18
Forfeited	(525)	10.05
BALANCE AT DECEMBER 31, 2020	115,038	6.73
Grants	-	-
Exercised	(33,264)	5.97
Expired	(3,589)	6.27
Forfeited	-	-
BALANCE AT DECEMBER 31, 2021	78,185	$ 7.07

There were no stock options granted during the years ended December 31, 2021 and 2020.

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, 2021, 36,850 voting common shares of restricted stock were granted to Company employees. 26,850 shares were granted as part of a time-based restricted stock agreement with a weighted fair value of $10.42 at the date of grant. These restricted shares cliff vest over a three year period based on their date of grant. 10,000 shares were granted as part of a performance-based restricted stock agreement with a fair value of $12.60 at the date of grant. These restricted stock shares cliff vest over a five year (i.e., five annual performance tranches) period beginning March 15, 2022.

At December 31, 2021, there was $548,584 in unrecognized compensation expense related to non-vested restricted stock awards that are expected to be recognized over a weighted average period of 1.69 years. At December 31, 2020, there was $649,567 in unrecognized compensation expense related to non-vested restricted stock awards.

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The following summarizes the restricted stock activity under the Plan:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
BALANCE AT JANUARY 1, 2020	120,500	$ 10.81
Grants	18,000	10.05
Vested	(33,498)	10.90
Expired	-	-
Forfeited	(5,000)	10.00
BALANCE AT DECEMBER 31, 2020	100,002	10.68
Grants	36,850	11.01
Vested	(46,930)	10.65
Expired	-	-
Forfeited	(3,134)	10.18
BALANCE AT DECEMBER 31, 2021	86,788	$ 10.85

For the years ended December 31, 2021 and 2020, the Company recognized $463,283 and $410,554 in stock-based compensation expense, respectively.

15. Operating Leases

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

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

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

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

The Company opened a new SBA operations office in Harrison, New York on March 19, 2021. The lease contract for this location was executed on March 19, 2021 and lease commencement began May 18, 2021. The contractual lease term is for a duration of thirty-six months with one option for a thirty-six month renewal. For lease accounting purposes, it was assumed that the Company was more likely than not to renew the lease and a discount rate, based on FHLB advance funding rates on the date of lease execution, of 1.32% was utilized.

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

	BALANCE SHEET CLASSIFICATION	DEC. 31, 2021	DEC. 31, 2020
Right-of-use assets: Operating leases	Right-of-use asset	$ 2,704,888	$ 3,258,817
Lease liabilities: Operating leases	Lease liability	$ 2,823,885	$ 3,347,075

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Lease Expense

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Operating lease cost	$ 996,600	$ 941,219

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2021 are as follows:

	OPERATING LEASE
2022	$ 1,019,358
2023	831,225
2024	329,996
2025	295,504
2026	118,421
THEREAFTER	261,471
Total undiscounted lease payments	2,855,975
Less: imputed interest	32,090
Net lease liabilities	$ 2,823,885

Supplemental Lease Information

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

16. Fair Value Measurements

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

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

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

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

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

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

INVESTMENT SECURITIES:

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

INTEREST RATE LOCK COMMITMENT (IRLC):

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

DERIVATIVES:

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

LOAN SERVICING RIGHTS:

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

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

	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
2021				
Available-for-sale securities	$171,532,394	$ -	$171,532,394	$ -
Interest rate lock commitment	183,807	-	-	183,807
Cash flow derivatives	594,712	-	594,712	-
Servicing rights asset	56,343	-	56,343	-
	$172,367,256	$ -	$172,183,449	$ 183,807
2020				
Available-for-sale securities	$ 97,188,125	$ -	$ 94,849,021	$ 2,339,104
Interest rate lock commitment	870,844	-	-	870,844
Cash flow derivatives	(68,561)	-	(68,561)	-
	$ 97,990,408	$ -	$ 94,780,460	$ 3,209,948

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The following table represents recurring level III assets:

	AVAILABLE-FOR-SALE SECURITIES	INTEREST RATE LOCK COMMITMENT
BALANCE AT JANUARY 1, 2020	$ -	$ 65,694
Realized and unrealized gains included in earnings	-	805,150
Purchase of securities	1,089,563	-
Sales, maturities, calls, and paydowns of securities	(459)	-
Transfer to (from) level III assets	1,250,000	-
Unrealized gain/(loss) included in other comprehensive income	-	-
Unrealized gain/(loss) not included in other comprehensive income	-	-
BALANCE AT DECEMBER 31, 2020	$ 2,339,104	$ 870,844
Realized and unrealized gains included in earnings	-	(687,037)
Purchase of securities	-	-
Sales, maturities, calls, and paydowns of securities	(839,104)	-
Transfer to (from) level III assets	(1,500,000)	-
Unrealized gain/(loss) included in other comprehensive income	-	-
Unrealized gain/(loss) not included in other comprehensive income	-	-
BALANCE AT DECEMBER 31, 2021	$ -	$ 183,807

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

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

IMPAIRED LOANS:

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

The following table summarizes the Company's financial assets that were measured at fair value on a nonrecurring basis as of December 31:

	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
2021				
Impaired loans	$ -	$ -	$ -	$ -
2020				
Impaired loans	$ 1,612,875	$ -	$ -	$ 1,612,875

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

	FAIR VALUE MEASUREMENTS			
	FAIR VALUE	VALUATION TECHNIQUE(S)	UNOBSERVABLE INPUTS	RANGE OF INPUTS
2021				
Impaired loans	$ -	N/A	N/A	N/A
2020				
Impaired loans	$ 1,612,875	Sales Comparison Approach	Adjustments for differences between the comparable sales	10% - 15%

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, 2021 USING			
	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Cash and due from banks	$ 2,536,450	$ 2,536,450	$ -	$ -	$ 2,536,450
Interest bearing deposits with banks	31,696,891	31,696,891	-	-	31,696,891
Securities available-for-sale	171,532,394	-	171,532,394	-	171,532,394
Securities held-to-maturity	18,012,874	-	13,995,774	4,000,000	17,995,774
Loans held for sale	13,297,125	-	13,297,125	-	13,297,125
Loans receivable, net	595,883,201	-	-	599,929,000	599,929,000
Accrued interest receivable	2,466,712	2,466,712	-	-	2,466,712
Interest rate lock commitment	183,807	-	-	183,807	183,807
Cash flow derivative	594,712	-	594,712	-	594,712
TOTAL FINANCIAL ASSETS	$836,204,166	$ 36,700,053	$199,420,005	$604,112,807	$840,232,865
Financial liabilities					
Demand deposits	$528,370,874	$528,370,874	$ -	$ -	$528,370,874
Time deposits	173,322,527	-	173,280,000	-	173,280,000
Federal Home Loan Bank advances	29,035,714	-	28,840,342	-	28,840,342
PPP liquidity facility advances	32,055,915	-	32,055,915	-	32,055,915
Subordinated debt, net of issuance costs	19,616,869	-	19,616,869	-	19,616,869
Accrued interest payable	294,237	294,237	-	-	294,237
TOTAL FINANCIAL LIABILITIES	$782,696,136	$528,665,111	$253,793,126	$ -	$782,458,237

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		FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2020 USING			
	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Cash and due from banks	$ 1,792,660	$ 1,792,660	$ -	$ -	$ 1,792,660
Interest bearing deposits with banks	25,543,295	25,543,295	-	-	25,543,295
Securities available-for-sale	97,188,125	-	94,849,021	2,339,104	97,188,125
Securities held-to-maturity	16,132,367	-	-	15,937,655	15,937,655
Loans held for sale	45,047,711	-	45,047,711	-	45,047,711
Loans receivable, net	544,971,926	-	-	553,812,000	553,812,000
Accrued interest receivable	2,868,868	2,868,868	-	-	2,868,868
Interest rate lock commitment	870,844	-	-	870,844	870,844
TOTAL FINANCIAL ASSETS	$734,415,796	$ 30,204,823	$139,896,732	$572,959,603	$743,061,158
Financial liabilities					
Demand deposits	$372,374,542	$372,374,542	$ -	$ -	$372,374,542
Time deposits	176,114,292	-	200,761,000	-	200,761,000
Federal Home Loan Bank advances	35,857,143	-	28,447,166	-	28,447,166
PPP liquidity facility advances	101,951,020	-	101,951,020	-	101,951,020
Accrued interest payable	433,586	433,586	-	-	433,586
Cash flow derivatives	68,561	-	68,561	-	68,561
TOTAL FINANCIAL LIABILITIES	$686,799,144	$372,808,128	$331,227,747	$ -	$704,035,875

17. Financial Instruments with Off-Balance Sheet Risk

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

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

	2021	2020
Commitments to extend credit	$ 137,281,000	$ 154,077,000
Standby letters of credit	$ 2,002,443	$ 1,394,000

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.

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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. During the year ended December 31, 2020, the Company began offering 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 $311,657 and $239,162 for the years ended December 31, 2021 and 2020, respectively.

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

19. Accumulated Other Comprehensive Loss

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

	UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE SECURITIES	UNREALIZED GAINS (LOSSES) ON CASH FLOW DERIVATIVES	ACCUMULATED OTHER COMPREHENSIVE (LOSS)
BALANCE AT JANUARY 1, 2020	$ (29,274)	$ -	$ (29,274)
Unrealized gains net of tax of ($410,805)	1,460,301	-	1,460,301
Reclassification for gains on sales net of tax of $9,808	(36,895)	-	(36,895)
Unrealized loss on cash flow derivative, net of tax of $15,083	-	(53,478)	(53,478)
BALANCE AT DECEMBER 31, 2020	$ 1,394,132	$ (53,478)	$ 1,340,654
Unrealized losses net of tax of $364,654	(1,193,011)	-	(1,193,011)
Reclassification for gains on sales net of tax of $1,337	(4,369)	-	(4,369)
Unrealized gain on cash flow derivative, net of tax of ($155,275)	-	507,998	507,998
BALANCE AT DECEMBER 31, 2021	$ 196,752	$ 454,520	$ 651,272

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
2021		
Unrealized gains and losses on available-for-sale securities		
Realized gains on securities available-for-sale	$ 5,706	Gain on Sale of Investment Securities
Other-than-temporary Impairment	-	N/A
Total before tax	5,706	
Tax effect	(1,337)	Income Tax Expense
Net of Tax	$ 4,369	
2020		
Unrealized gains and losses on available-for-sale securities		
Realized gains on securities available-for-sale	$ 46,703	Gain on Sale of Investment Securities
Other-than-temporary Impairment	-	N/A
Total before tax	46,703	
Tax effect	(9,808)	Income Tax Expense
Net of Tax	$ 36,895	

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20. Related Party Transactions

For the years ended December 31, 2021 and 2020, the Company used a brokerage firm, at which one of the Company's directors is a principal. This brokerage firm offers benefits such as payroll services and health and dental insurance for employees of the Company. The brokerage firm receives commission payments directly from the benefit providers. Company-paid fees amounted to $0 and $400 for the years ended December 31, 2021 and 2020.

21. Parent Company Condensed Financial Information

BALANCE SHEETS

As of December 31

	2021	2020
ASSETS		
Cash	$ 3,271,498	$ -
Investment in Bank Subsidiary	101,305,082	-
Other Assets	315,398	-
TOTAL ASSETS	$104,891,978	$ -
LIABILITIES		
Subordinated Debt (net of issuance costs)	$ 19,616,869	$ -
Other Liabillities	1,116,385	-
Total Stockholders' Equity	84,158,724	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$104,891,978	$ -

STATEMENT OF OPERATIONS

Years Ended December 31

	2021	2020
Interest Income	$ -	$ -
Total Interest Income	-	-
Interest Expense	81,666	-
Total Interest Expense	81,666	-
Total Interest Income (Loss)	(81,666)	-
Non-Interest Income	-	-
Total Non-interest Income	-	-
Non-Interest Expenses	553,286	-
Income (loss) before income tax and undistributed net income of bank subsidiary	(634,952)	-
Income tax benefit	91,705	-
Income (loss) before undistributed net income of bank subsidiary	(543,247)	-
Equity in undistributed net income of bank subsidiary	11,271,208	-
NET INCOME	$ 10,727,961	$ -

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STATEMENTS OF CASH FLOWS

Years Ended December 31

	2021	2020
OPERATING ACTIVITIES		
Net income	$ 10,727,961	$ -
Equity in undistributed net income of bank subsidiary	$ (11,271,208)	-
Adjustments to reconcile net income to net cash provided by		
Operating Activities	6,494	-
Share-Based Compensation	81,807	-
(Increase) in:		
Intercompany Receivable	(315,398)	-
Increase in:		
Increase in Intercompany Payable	1,013,255	-
Accrued Interest Payable	81,666	-
Other Liabilities	21,462	-
Net Cash Provided by Operating Activities	346,039	-
INVESTING ACTIVITIES		
Investment in Subsidiaries	(16,883,502)	-
Net Cash Used in Investing Activities	(16,883,502)	-
FINANCING ACTIVITIES		
Proceeds from Subordinated Debt, Net of Issuance Costs	19,610,375	-
Proceeds from Stock Options	198,586	-
Net cash Provided by Financing Activities	19,808,961	-
Net Increase in Cash and Cash Equivalents	$ 3,271,498	$ -
Cash and Cash Equivalents, Beginning of Year	-	$ -
Cash and Cash Equivalents, End of Year	$ 3,271,498	$ -

22. Subsequent Events

The date to which events occurring after December 31, 2021, the date of the most recent balance sheet, have been evaluated for possible adjustments to the financial statements or disclosure is March 11, 2022, which is the date on which the financial statements were available to be issued.