Financial Statements
December 31, 2021 and 2020

Mega Bank

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Directors and Shareholders of
Mega Bank
San Gabriel, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mega Bank, which comprise the statements of financial condition as of December 31, 2021 and 2020, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mega Bank's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Eide Bailly LLP

Laguna Hills, California
May 31, 2022

	2021	2020
Assets		
Cash and due from banks	$ 4,805,904	$ 4,953,975
Federal funds sold	1,087,006	6,707,419
Interest-bearing deposits in other banks	96,731,420	53,889,633
Cash and cash equivalents	102,624,330	65,551,027
Interest-bearing deposits in other banks	2,261,818	2,755,137
Debt securities available for sale	9,756,495	-
Loans held for investment, net of allowance for loan losses of $5,129,865 in 2021, and $5,253,758 in 2020	326,731,744	331,832,808
Premises and equipment	490,139	608,657
Accrued interest receivable	1,576,666	1,758,118
Restricted stock	1,879,700	2,059,600
Bank owned life insurance	6,889,201	6,701,334
Defered tax asset	2,643,152	2,163,840
Other assets	1,712,490	688,988
Total assets	$ 456,565,735	$ 414,119,509
Liabilities		
Deposits		
Noninterest-bearing	$ 50,101,653	$ 38,455,992
Interest-bearing	333,022,752	303,298,604
Total deposits	383,124,405	341,754,596
Federal Home Loan Bank advances	21,000,000	26,000,000
Accrued interest payable	72,225	120,708
Other liabilities	2,551,562	1,960,826
Total liabilities	406,748,192	369,836,130
Shareholders' Equity		
Common stock, no par value, 10,000,000 shares authorized 3,790,866 and 3,785,586 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively	41,771,729	41,603,781
Retained earnings	8,205,330	2,679,598
Accumulated other comprehensive loss, net of tax	(159,516)	-
Total shareholders' equity	49,817,543	44,283,379
Total liabilities and shareholders' equity	$ 456,565,735	$ 414,119,509

	2021	2020
Interest Income		
Interest and fees on loans	$ 15,045,041	$ 13,723,049
Interest on federal funds sold	2,146	33,830
Interest on interest bearing deposits in other financial institutions	211,377	392,693
Interest on debt securities	58,713	196,573
Dividend income from restricted stock	113,434	110,634
Total interest and dividend income	15,430,711	14,456,779
Interest Expense		
Interest on deposits	1,795,515	3,339,597
Interest on borrowings	278,528	635,469
Total interest expense	2,074,043	3,975,066
Net interest income	13,356,668	10,481,713
Provision (credit) for loan losses	(188,238)	2,254,934
Net interest income after provision for loan losses	13,544,906	8,226,779
Noninterest Income		
Service charges on deposit accounts	47,219	75,459
Net gain on sale of debt securities available for sale	-	157,142
Net gain on sale of loans	1,827,831	1,448,297
Income from bank owned life insurance	187,866	57,226
Servicing income, net	257,495	59,952
Employee retention tax credit	335,873	-
Other miscellaneous income	330,287	141,412
Total noninterest income	2,986,571	1,939,488
Noninterest Expense		
Salaries and employee benefits	5,830,149	5,540,067
Occupancy and equipment	1,480,530	1,571,447
Net loss on sale of fixed assets	-	5,082
Other expenses	2,096,215	2,544,607
Total noninterest expense	9,406,894	9,661,203
Income before income tax expense	7,124,583	505,064
Provision for income taxes	1,598,851	139,458
Net Income	$ 5,525,732	$ 365,606

	2021	2020
Net Income	$ 5,525,732	$ 365,606
Other comprehensive (loss) income		
Adjustments for gains included in net income	-	(157,142)
Tax effect	-	47,223
	-	(109,919)
Unrealized holding (loss) gain on securities available-for-sale during the period	(227,880)	262,044
Tax effect	68,364	(78,693)
	(159,516)	183,351
Other comprehensive (loss) income, net of tax	(159,516)	73,432
Comprehensive income	$ 5,366,216	$ 439,038

	Number of Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2019	3,788,186	$ 41,378,845	$ 2,313,992	$ (73,432)	$ 43,619,405
Net income	-	-	365,606	-	365,606
Rescinded stock options	(2,600)	(19,500)	-	-	(19,500)
Stock compensation expense	-	244,436	-	-	244,436
Other comprehensive income	-	-	-	73,432	73,432
Balance at December 31, 2020	3,785,586	41,603,781	2,679,598	-	44,283,379
Net income	-	-	5,525,732	-	5,525,732
Exercise of stock options	5,280	48,416	-	-	48,416
Stock compensation expense	-	119,532	-	-	119,532
Other comprehensive loss	-	-	-	(159,516)	(159,516)
Balance at December 31, 2021	3,790,866	$ 41,771,729	$ 8,205,330	$ (159,516)	$ 49,817,543

	2021	2020
Operating Activities		
Net income	$ 5,525,732	$ 365,606
Adjustments to reconcile net income to net cash from operating activities		
Net amortization of securities available for sale	2,188	168,501
(Credit) provision for loan losses	(188,238)	2,254,934
Depreciation and amortization of premises and equipment	253,165	393,234
Net gain on sale of debt securities available for sale	-	(157,142)
Net gain on sale of loans	(1,827,831)	(1,448,297)
Stock compensation expense	119,532	244,436
Deferred income tax benefit	(410,948)	(873,077)
Earnings on bank owned life insurance	(187,867)	(57,226)
Change in other assets and liabilities	(987,536)	820,003
Net Cash Provided by Operating Activities	2,298,197	1,710,972
Investing Activities		
Decrease in interest-bearing deposits in other banks	493,319	488,980
Change in restricted stock	179,900	6,100
Proceeds from sales, maturities and repayments of debt securities available for sale	32,439	36,445,611
Purchase of debt securities available for sale	(10,019,002)	(4,500,000)
Loan originations, purchases, and principal collections, net	7,804,872	(55,986,980)
Purchase of premises and equipment	(134,647)	(340,191)
Purchase of bank owned life insurance	-	(1,300,000)
Net Cash Provided by (Used in) Investing Activities	(1,643,119)	(25,186,480)
Financing Activities		
Net increase in deposits	41,369,809	16,905,249
Stock options	48,416	(19,500)
Repayment of Federal Home Loan Bank advances	(5,000,000)	(20,000,000)
Purchase of Federal Home Loan Bank advances	-	26,000,000
Net Cash Provided by Financing Activities	36,418,225	22,885,749
Net Change in Cash and Cash Equivalents	37,073,303	(589,759)
Cash and Cash Equivalents at Beginning of Period	65,551,027	66,140,786
Cash and Cash Equivalents at End of Period	$ 102,624,330	$ 65,551,027
Supplemental Disclosure for Cash Flow Information		
Cash payments for		
Interest paid	$ 2,122,526	$ 4,121,093
Income taxes paid	1,770,000	644,000

Note 1 - Significant Accounting Policies

Nature of Operations

Mega Bank (the Bank) was organized on January 9, 2007 and commenced operations on February 5, 2008 in San Gabriel, California. The Bank is a full-service commercial bank offering a broad range of banking services to businesses, professional firms, various other organizations and their owners and key officers, as well as individuals throughout the Southern California region. These services include commercial, real estate, lease financing and consumer loans, business and consumer checking accounts, money market accounts, savings accounts, certificates of deposit, trade finance and other services. The Bank operates from its corporate headquarters office in San Gabriel, California. The Bank has four full-service branches in Los Angeles County and one full-service branch in Orange County.

Mega Bank is a state-chartered depository institution insured by the FDIC. As an insured depository institution, the Bank is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. An estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash due from banks, overnight federal funds sold and term federal funds and interest bearing deposits with other banks with an original term of 90 days or less. Federal funds sold have an original maturity of one business day or roll over under a continuing contract.

Interest-Bearing Deposits in Other Banks

Interest-bearing deposits in other banks with an original maturity of 90 days or greater are excluded from cash and cash equivalents and are carried at cost.

Debt Securities

The Bank classifies its debt securities as available-for-sale or held-to-maturity. Securities classified as available-for-sale are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in comprehensive income. Securities, which the Bank has the positive intent and ability to hold to maturity, are classified as held-to-maturity and are carried at amortized cost. Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

The Bank follows the accounting guidance related to recognition and presentation of other-than-temporary impairment. This guidance specifies that (a) if a Bank does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income.

Restricted Stock and Equity Securities

The Bank is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

The Bank measures equity securities without readily determinable fair values at cost less impairment, plus or minus observable price changes in orderly transactions. The carrying amount of equity securities without readily determinable fair values is $250,000 as of December 31, 2021 and 2020 and includes Community Reinvestment Act investments. There were no adjustments to the carrying amount of equity securities in 2021 or 2020.

Loans

Loans are reported at their outstanding unpaid principal balance adjusted for the allowance for loan losses and any deferred fees and costs on originated loans.

Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. 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. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and agricultural loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

Portfolio segments identified by the Bank include real estate, commercial and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to-income, collateral type and loan-to-value ratios for consumer loans

Off-Balance Sheet Credit Related Financial Instruments

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

Transfer of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Mortgage Servicing Rights

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Generally, purchased servicing rights are capitalized at the cost to acquire the rights. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on its fair value. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is recognized through valuation allowance for individual tranches, to the extent that fair value is less than the capitalized amount for the tranches. If the Bank later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income. Capitalized servicing rights are reported as a separate line item on the balance sheets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Servicing fee 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. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, ranging from 3 to 7 years. Leasehold improvements are amortized over the term of the lease or the service lives of the improvements, whichever is shorter. The straight-line method of depreciation is followed for financial reporting purposes, while both accelerated and straight-line methods are followed for income tax purposes. Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred

Bank Owned Life Insurance

Investment in life insurance contracts is stated at cash surrender value of the various insurance policies. The income on the investment is included in other noninterest income.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment, intangible assets, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant vesting period. The Bank estimates the fair value of each stock-based award on the measurement date using the Black-Scholes option valuation model which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate and dividend yield.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Bank’s accounting policy is to recognize forfeitures as they occur.

Advertising Costs

The Bank expenses the cost of advertising in the period incurred.

Revenue Recognition

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Bank expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Bank performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation in the contract; and (v) recognize revenue when (or as) the Bank satisfies a performance obligation. The Bank only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Bank assesses the goods or services that are promised within each contract and identifies those that contain performance obligation, and assesses whether each promised good or service is distinct. The Bank then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The following is a discussion of key revenues within the scope of ASC 606.

- Service Charges and Fees on Deposit Accounts

The Bank earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied, and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposits accounts are charged to deposit customers for specific services provided to the customer, such as nonsufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

- Interchange Fees

Interchange fees represents fees earned when a debit card issued by the Bank is used. The Bank earns interchange fees from debit cardholder transactions through a payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied, and the fees are earned when the cost of the transaction is charged to the card. Certain expenses directly associated with the debit card are recorded on a net basis with the fee income.

Comprehensive Income (Loss)

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains on securities available-for-sale. The amount reclassified out of other accumulated comprehensive income relating to net realized gains on debt securities available for sale in 2020 was $157,142.

Subsequent Events

The Bank has evaluated subsequent events through May 31, 2022, which is the date the financial statements were issued or the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or shareholders' equity. One reclassification involved moving term federal funds sold and certain interest-bearing deposits in other banks, with an original maturity of 90 days or less, to the cash and cash equivalents section of the balance sheet. These reclassifications also impacted the cash flow statement presentation of cash and cash equivalents. Additionally, the December 31, 2020 Loan and Allowance for Loan Loss footnote information was reclassified to be consistent with the current year presentation, which was based on loan categories used in the allowance for loan loss calculation instead of the general ledger categories used in the prior year presentation.

Recent Accounting Guidance Not Yet Effective

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, which is generally defined as a lease term of less than 12 months. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under current lease accounting guidance. This ASU is effective for nonpublic business entities for annual periods beginning after December 15, 2021 and interim periods beginning after December 15, 2022. The Bank is currently evaluating the effects of ASU 2016-02 on its financial statements and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326). This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. This ASU is effective for interim and annual reporting periods beginning after December 15, 2022. A cumulative-effect adjustment to retained earnings will be reflected as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Bank is currently evaluating the provisions of ASU No. 2016-13 for potential impact on its financial statements.

Note 2 - Restrictions on Cash and Amounts Due from Banks

The Bank is required to maintain average cash balances on hand or balances with the Federal Reserve Bank for balances in transaction accounts. The Bank was able to maintain sufficient average cash balances to avoid the requirement for a reserve balance with the Federal Reserve Bank at December 31, 2021 and 2020.

The Bank maintains cash that may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Bank does not expect to incur losses in its cash accounts.

Note 3 - Debt Securities

The Bank did not hold any debt securities at December 31, 2020. The amortized cost and fair values of debt securities with gross unrealized gains and losses at December 31, 2021 are as follows:

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale				
U.S. agency securities	$ 7,997,123	$ -	$ (173,123)	$ 7,824,000
U.S. agency mortgage-backed securities	1,987,251	-	(54,756)	1,932,495
	$ 9,984,374	$ -	$ (227,879)	$ 9,756,495

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2021, are shown below. Securities not due at a single maturity date are presented separately.

	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -
Due from one to five years	-	-
Due from five to ten years	7,997,123	7,824,000
Due after ten years	-	-
Mortgage-backed securities	1,987,251	1,932,495
	$ 9,984,374	$ 9,756,495

No investment securities were pledged as collateral as of December 31, 2021.

At December 31, 2021, the Bank had 5 debt securities with an unrealized loss of $227,879, which have depreciated approximately 2.3 percent from the amortized cost basis and have been in a continuous loss position for shorter than 12 months. These securities are guaranteed either explicitly or implicitly by the U.S. Government and therefore no credit loss is expected. As the Bank does not intend to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, no declines are deemed to be other-than-temporary.

During the year ended December 31, 2020, the Bank sold the entire debt securities portfolio. Proceeds from the sale of debt securities available-for-sale in 2020 were $36,445,611 resulting in gross realized gains of $167,288 and gross realized losses of $10,146.

Note 4 - Loans and Allowance for Loan Losses

The composition of the Bank's loans held for investment at December 31 is as follows:

	2021	2020
Real Estate		
Construction and land	$ 77,569,250	$ 29,309,327
Residential	38,844,180	64,231,152
Multi-family	25,122,543	28,325,106
Commercial real estate	136,425,174	130,261,707
Commercial		
Commercial and industrial	50,083,793	53,206,198
PPP	47,286	22,936,992
Consumer	3,537,050	6,808,142
Total gross loans	331,629,276	335,078,624
Allowance for loan losses	(5,129,865)	(5,253,758)
Deferred loan costs and premiums, net of fees	1,244,857	2,695,681
Discount on retained portion of sold SBA Loans	(1,012,524)	(687,739)
Loans held for investment, net	$ 326,731,744	$ 331,832,808

The following table presents the recorded investment in loans and impairment method as of December 31, 2021 and the activity in the allowance for loan losses for the year then ended, by portfolio segment:

	Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses				
Beginning of Year	$ 4,453,302	$ 670,772	$ 129,684	$ 5,253,758
Provisions (Credit)	(31,052)	(52,791)	(104,395)	(188,238)
Charge-offs	-	-	(31,714)	(31,714)
Recoveries	-	79,234	16,825	96,059
End of Year	$ 4,422,250	$ 697,215	$ 10,400	$ 5,129,865
Reserves				
Specific	$ -	$ -	$ -	$ -
General	4,422,250	697,215	10,400	5,129,865
Loans Evaluated for Impairment				
Individually	$ 1,851,094	$ -	$ -	$ 1,851,094
Collectively	276,110,053	50,131,079	3,537,050	329,778,182
	$ 277,961,147	$ 50,131,079	$ 3,537,050	$ 331,629,276

The following table presents the recorded investment in loans and impairment method as of December 31, 2020 and the activity in the allowance for loan losses for the year then ended, by portfolio segment:

	Real Estate	Commercial	Consumer	Total
Allowance for Loan Losses				
Beginning of Year	$ 2,726,852	$ 290,645	$ -	$ 3,017,497
Provisions (Credit)	1,726,450	380,127	148,357	2,254,934
Charge-offs	-	(11,443)	(18,673)	(30,116)
Recoveries	-	11,443	-	11,443
End of Year	$ 4,453,302	$ 670,772	$ 129,684	$ 5,253,758
Reserves				
Specific	$ -	$ -	$ -	$ -
General	4,453,302	670,772	129,684	5,253,758
	$ 4,453,302	$ 670,772	$ 129,684	$ 5,253,758
Loans Evaluated for Impairment				
Individually	$ 7,024,219	$ 2,640,512	$ -	$ 9,664,731
Collectively	245,103,073	73,502,678	6,808,142	259,531,093
	$ 252,127,292	$ 76,143,190	$ 6,808,142	$ 269,195,824

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Bank uses the following definitions for risk ratings:

Pass - Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller, homogeneous loans not assessed on an individual basis.

Special Mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Impaired - A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows as of December 31, 2021:

December 31, 2021	Pass	Special Mention	Substandard	Impaired	Total
Real Estate					
Construction and land	$ 77,569,250	$ -	$ -	$ -	$ 77,569,250
Residential	38,844,180	-	-	-	38,844,180
Multi-Family	25,122,543	-	-	-	25,122,543
Commercial real estate	128,020,674	4,249,086	2,304,320	1,851,094	136,425,174
Commercial					
Commercial and industrial	47,631,937	158,231	2,293,625	-	50,083,793
PPP	47,286	-	-	-	47,286
Consumer	3,537,050	-	-	-	3,537,050
	$320,772,920	$ 4,407,317	$ 4,597,945	$ 1,851,094	$331,629,276

The risk category of loans by class of loans is as follows as of December 31, 2020:

December 31, 2020	Pass	Special Mention	Substandard	Impaired	Total
Real Estate					
Construction and land	$ 29,309,327	$ -	$ -	$ -	$ 29,309,327
Residential	64,231,152	-	-	-	64,231,152
Multi-Family	28,325,106	-	-	-	28,325,106
Commercial real estate	114,394,770	6,972,072	1,870,646	7,024,219	130,261,707
Commercial					
Commercial and industrial	50,565,686	-	-	2,640,512	53,206,198
PPP	22,936,992	-	-	-	22,936,992
Consumer	6,808,142	-	-	-	6,808,142
	$316,571,175	$ 6,972,072	$ 1,870,646	$ 9,664,731	$335,078,624

Past due and nonaccrual loans were as follows as of December 31, 2021:

	Still Accruing		
	30-89 Days Past Due	Over 90 Days Past Due	Nonaccrual
Residential real estate	$ 1,217,725	$ -	$ -
Multifamily	2,942,960	-	-
Commercial real estate	1,079,085	-	1,851,094
Commercial and industrial	2,702,817	-	-
Consumer	45,246	-	-
	$ 7,987,833	$ -	$ 1,851,094

Past due and nonaccrual loans were as follows as of December 31, 2020:

	Still Accruing		
	30-89 Days Past Due	Over 90 Days Past Due	Nonaccrual
Residential	$ 521,853	$ -	$ -
Commercial real estate	1,544,143	-	7,024,219
Commercial and industrial	2,750,277	-	2,640,512
	$ 4,816,273	$ -	$ 9,664,731

The following tables summarize individually impaired loans by class of loans as of December 31, 2021 and 2020:

December 31, 2021	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no Allowance Recorded					
Commercial real estate	$ 1,851,094	$ 1,851,094	$ -	$ 1,851,094	$ -
December 31, 2020					
With no Allowance Recorded					
Commercial real estate	$ 7,053,679	$ 7,024,219	$ -	$ 7,024,219	$ -
Commercial and industrial	2,677,376	2,640,512	-	2,640,512	91,645
Total	$ 9,731,055	$ 9,664,731	$ -	$ 9,664,731	$ 91,645

No loans were modified in a troubled debt restructuring during the years ended December 31, 2021 and 2020.

Note 5 - Premises and Equipment

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

	2021	2020
Furniture, fixture and equipment	$ 956,521	$ 946,210
Computer equipment	158,340	144,942
Software	368,641	368,641
Leasehold improvements	2,636,923	2,636,923
Construction in progress	119,218	-
	4,239,643	4,096,716
Less accumulated depreciation and amortization	3,749,504	3,488,059
Total premises and equipment	$ 490,139	$ 608,657

Depreciation and amortization expense for years ended December 31, 2021 and 2020, amounted to $253,165 and $393,234, respectively.

Note 6 - Investment in Life Insurance Contracts

The Bank is the owner and the beneficiary of life insurance policies on certain directors and officers of the Bank. The cash surrender value on the policies amounted to $6,889,201 and $6,701,334 as of December 31, 2021 and 2020.

Note 7 - Deposits

Interest-bearing and noninterest-bearing deposits consist of the following:

	2021	2020
Savings, NOW and money market accounts	$ 105,539,945	$ 106,351,144
Time certificate of deposit accounts under $250,000	82,156,428	90,664,815
Time certificate of deposit accounts over $250,000	113,604,771	100,897,734
Brokered deposits, less than $250,000	31,721,608	5,384,911
Total interest-bearing deposits	333,022,752	303,298,604
Total noninterest-bearing deposits	50,101,653	38,455,992
Total Deposits	$ 383,124,405	$ 341,754,596

At December 31, 2021, the scheduled maturities of time deposits were as follows:

Within 1 year	$ 144,280,961
After 1 year through 3 years	51,480,238
	$ 195,761,199

Note 8 - Stock Investments, Restricted

The Bank, as a member of the FHLB system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of one percent of its outstanding home loans or five percent of advances from the FHLB. No ready market exists for the FHLB stock, and it has no quoted market value. FHLB stock is carried at $1,879,700 and $2,059,600 at December 31, 2021 and 2020, respectively, which is equal to cost.

Note 9 - Related Party Transactions

In the ordinary course of business, the Bank has granted loans to its principal officers, directors, principal shareholders, and their affiliates. The aggregate amount of loans outstanding to such related parties was $0 as of December 31, 2021 and 2020.

Deposits from related parties held by the Bank at December 31, 2021 and 2020, amounted to approximately $21,988,000 and $40,161,000.

Note 10 - Federal Home Loan Bank Borrowings

FHLB advances represent secured obligations to the FHLB.

At December 31, 2021, the Bank's FHLB advances were as follows:

Amount	Interest Rate	Maturity Date
$ 7,000,000	1.29%	February 25, 2022
7,000,000	1.34%	February 27, 2023
7,000,000	1.36%	February 25, 2025
$ 21,000,000		

Each advance is payable at its maturity date. The advances were collateralized by loans with approximate carrying value of $74.8 million. Based on this collateral and the Bank's holdings of FHLB stock, the Bank has remaining borrowing capacity of $23.6 million as of December 31, 2021.

Note 11 - Federal Funds Line of Credit

The Bank may borrow up to $22.0 million overnight on an unsecured basis from three correspondent banks. As of December 31, 2021, there were no amounts outstanding under these unsecured borrowing arrangements.

Note 12 - Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The following is a summary of the provision for income taxes for the years ended December 31:

	2021	2020
Currently payable		
Federal	$ 1,178,702	$ 635,445
State	831,097	377,090
	2,009,799	1,012,535
Deferred Taxes		
Federal	(311,319)	(555,269)
State	(99,629)	(317,808)
	(410,948)	(873,077)
Total provision for income taxes	$ 1,598,851	$ 139,458

A comparison of the federal statutory income tax rates to the Bank's effective income tax rates at December 31 follows:

	2021		2020	
	Amount	Rate	Amount	Rate
Statutory federal tax	$ 1,496,162	21.0 %	$ 106,063	21.0 %
State franchise tax, net of federal benefit	570,056	8.0	48,413	9.6
Tax lease credit refunds	(374,443)	(5.3)	-	-
Other items, net	(92,924)	(1.3)	(15,018)	(3.0)
Provision for income taxes	$ 1,598,851	22.4 %	$ 139,458	27.6 %

The components of the net deferred tax asset were as follows at December 31:

	2021	2020
Deferred tax assets		
Allowance for loan losses	$ 1,294,064	$ 1,349,714
Pre-opening expenses	18,801	36,153
Stock-based compensation	221,081	239,136
Depreciation	259,799	199,604
State tax deduction	175,041	78,678
Accrued expenses	313,341	54,131
Unrealized loss on securities available for sale	68,364	-
Other	292,822	206,601
	2,643,313	2,164,017
Deferred tax liabilities		
Other	(161)	(177)
Net Deferred Tax Asset	$ 2,643,152	$ 2,163,840

The Bank does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Bank is subject to federal income tax and franchise tax of the state of California. Income tax returns for the years ended after December 31, 2017 are open to audit by the federal authorities and for the years ended after December 31, 2016 are open to audit by California state authorities.

Note 13 - Off Balance Sheet Activities

Credit-Related Financial Instruments

In the ordinary course of business, the Bank enters into financial commitments to meet the financing needs of its customers. These financial instruments generally include commitments to extend credit and standby letters of credit, all of which are at variable rates. Those instruments involve, to varying degrees, elements of credit and interest rate risk not recognized in the Bank's financial statements. To mitigate the risk posed by these off balance sheet exposures, the Bank established a reserve for off balance sheet exposure of $361,140 and $610,172 at December 31, 2021 and 2020, respectively. This reserve is included in other liabilities.

The Bank's exposure to loan loss in the event of non-performance on commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for loans reflected in the financial statements.

As of December 31, 2021, and 2020, the Bank had approximately $57,265,000 and $35,050,000, respectively, of undisbursed financial commitments whose contractual amount represents credit risk, all of which were at variable rates.

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. Since many of the commitments are expected to expire without being fully drawn upon, the total amounts do not necessarily represent future cash requirements. The Bank evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Note 14 - Other Commitments and Contingencies

Operating Lease Commitments

The Bank has lease commitments covering the banking premises. At December 31, 2021, future minimum rental payments are as follows:

Year Ending December 31,	Amount
2022	$ 858,328
2023	867,874
2024	881,308
2025	895,003
2026	662,769
Thereafter	2,291,951
Total	$ 6,457,233

The minimum rental payments shown above are given for existing lease obligations and are not a forecast of future rental expense.

Rental expense totaled approximately $958,000 and $892,000 for the years ended December 31, 2021 and 2020, respectively.

The lease for the San Gabriel headquarters office expires on June 30, 2026 and provides for one five-year renewal option at then-prevailing market rates. The lease for the Irvine branch office expires on August 31, 2031 and provides no renewal options. The lease for the Hacienda Heights branch office expires on March 31, 2022 and provides for two five-year renewal options at then-prevailing market rates. The lease for the Arcadia branch expires on June 30, 2026 and provides no renewal options.

For each location, the Bank is responsible for its pro rata share of common area expenses including maintenance, taxes and insurance.

Pending Litigation

In the normal course of business, the Bank may become involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

Note 15 - Concentration Risk

The Bank's loan portfolio consists primarily of loans secured by real estate in Southern California. Although the Bank has a diversified loan portfolio, a substantial part of the debtors' ability to honor their contracts is dependent upon the economic conditions in this region. Real estate secured loans account for approximately 84 percent and 73 percent of the total loan portfolio at December 31, 2021 and 2020, respectively.

Note 16 - Employee Benefit Plan

The Bank has a 401(k) savings and retirement plan (the Plan) that includes substantially all employees. The Bank established a 401(k) plan under which eligible employees may contribute up to the maximum dollar amount allowed by the IRS each year. The Bank matches employee contributions dollar-for-dollar, up to one percent of salaries. The Bank matched $30,001 and $22,302 of employee deferrals during the years ended December 31, 2021 and 2020, respectively.

Note 17 - Stock Option Plan

The Bank has a stock option plan, The Mega Bank Long-Term Stock Incentive Plan (the 2018 Plan), which enables the Bank to grant share-based compensation awards, including stock options and stock appreciation rights. The 2018 Plan became effective in the year ended December 31, 2018 and replaced the Bank's 2008 Long-Term Stock Incentive Plan. Directors and other individuals, who are not officers or employees, may be granted only nonqualified stock options.

A total of 1,156,420 shares were approved for the 2018 Plan. The exercise price per share of a stock option granted under the 2018 Plan may not be less than the fair market value of the common stock as of the date of the grant. Stock option grants vest ratably over a specified period as of the date of the grant (generally, three to five years) and expire ten years after the date of the grant. The 2018 Plan will terminate no later than the tenth anniversary of its effective date.

Compensation cost charged to operations for the plan was $119,532 and $244,436 for the years ended December 31, 2021 and 2020, respectively. The total income tax benefit recognized in the statements of income for stock-based compensation arrangements was $17,878 and $38,422 for the years ended December 31, 2021 and 2020, respectively.

A summary of option activity under the plan as of December 31, 2021 and changes during the year then ended is as follows:

Options	Shares	Weighted - Average Exercise Price	Weighted - Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2021	898,960	$ 10.26		
Granted	-	-		
Exercised	(5,280)	9.17		
Forfeited	(219,000)	10.46		
Expired	(203,080)	9.17		
Outstanding at December 31, 2021	471,600	$ 10.65	6.4	$ 1,175,684
Exercisable at December 31, 2021	261,200	$ 10.49	6.0	$ 682,820

As of December 31, 2021, there was $229,237 of total unrecognized compensation cost related to share-based compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted-average period of 2.0 years.

In 2020 Mega Bank offered to rescind all the stock options granted to its employees and directors between 2011 and 2018 and all the options exercised under the 2008 and 2018 option plans. As a result, 3 optionees rescinded their Mega Bank common stocks totaling 2,600 shares at the exercise price of $7.50. All other optionees declined the rescission offer and continue with the stock option grant and the shares that they received upon exercise of the option.

Note 18 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the 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 Bank'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 the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum capital ratios as set forth in the table below. Management believes that the Bank met all capital adequacy requirements to which it is subject as of December 31, 2021 and 2020.

As of December 31, 2021, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to Section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides graduated increases in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to Section 4012 of the CARES Act.

The CBLR removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of Section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the CBLR minimum requirement is 8.0 percent as of December 31, 2020, 8.5 percent for calendar year 2021, and 9.0 percent for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of seven percent as of December 31,2020, 7.5 percent for calendar year 2021, and eight percent for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the Risk-weighting framework without restriction. As of December 31, 2021, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The table below presents the Bank's capital ratios under the CBLR framework as of December 31, 2021 and 2020 (dollar amounts in thousands):

	Actual		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
As of December 31, 2021				
Tier 1 Capital to Average Assets	$ 49,978	11.36%	$ 37,407	8.50%
As of December 31, 2020				
Tier 1 Capital to Average Assets	$ 44,283	10.72%	$ 32,677	8.00%

Note 19 - Other Operating Expenses

The following sets forth the breakdown of other operating expenses for the years ended December 31:

	2021	2020
Marketing and business promotion	$ 44,697	$ 57,088
Professional fees	703,730	516,891
Data processing	441,309	458,058
Correspondent bank charges	41,647	214,862
FDIC and DFI assessments	432,153	176,369
Director fees	247,500	268,500
Office expenses	178,280	198,571
Provision (credit) for off-balance sheet commitments	(249,032)	310,172
Other expenses	255,931	344,096
Total non-interest expenses	$ 2,096,215	$ 2,544,607

Note 20 - Sales of SBA Loans and Servicing Rights

The Bank was servicing $40,129,968 and $25,746,949 in SBA loans previously sold as of December 31, 2021 and 2020, respectively.

The activity for SBA servicing rights, included with other assets on the statement of financial condition, that are measured at amortized cost. Activity for the servicing asset for the years ended December 31 is shown in the following table:

	2021	2020
Carrying amount at beginning of year	$ 474,675	$ 59,695
Addition from SBA loan sales	405,024	435,114
Amortization	(113,360)	(20,134)
Carrying amount at end of year	$ 766,339	$ 474,675

Note 21 - Fair Value Measurements

Fair Value Measurements Using Fair Value Hierarchy - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The tables below present information about the Bank's assets measured at fair value on a recurring basis as of December 31, 2021 and 2020, and indicate the fair value hierarchy of the valuation techniques utilized by the Bank to determine such fair value. No liabilities were measured at fair value at December 31, 2021 and 2020.

The fair value hierarchy is as follows:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The following section describes the valuation methodologies used for assets measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Financial assets measured at fair value on a recurring basis include the following:

Debt Securities: The fair values of debt securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2).

The table below presents the balance of debt securities available for sale at December 31, 2021, the fair value of which is measured on a recurring basis:

	Fair Value Measurements Using			
December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt Securities Available-for-Sale				
U.S. agency securities	$ -	$ 7,824,000	$ -	$ 7,824,000
U.S. agency mortgage-backed securities	-	1,932,495	-	1,932,495
Total	$ -	$ 9,756,495	$ -	$ 9,756,495

Note 22 - Employee Retention Tax Credit

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided an employee retention credit (the Credit) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at $10,000 of qualified wages through December 31, 2020.

The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 (collectively the Acts) expanded the availability of the Credit and extended the Credit through December 31, 2021. The Infrastructure Investment and Jobs Act subsequently terminated the Credit program effective October 1, 2021. The Acts increased the credit to 70% of qualified wages, capped at $10,000 per quarter. As a result of the changes to the Credit, the maximum credit per employee increased from $5,000 in 2020 to $21,000 in 2021.

The Bank was eligible for the Credit for the third quarter of 2021 and during the year ended December 31, 2021 recorded a benefit of $335,873, which is included in noninterest income in the statement of income. The Bank filed for and received refunds of the Credit in 2021.

Laws and regulations concerning government programs, including the Credit are complex and subject to varying interpretations. Claims made under the Acts may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Bank's claim to the Credit, and it is not possible to determine the impact (if any) this would have upon the Bank.

The Bank's Credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2026. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.