TRUE INTEGRITY FIDUCIARY SERVICES

TI-TRUST, INC.
ANNUAL REPORT 2020

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Corporate Description

TI-Trust, Inc. is a national provider of fiduciary services. Headquartered in Quincy, Illinois, TI-TRUST has been serving individuals and institutional clients for more than 64 years. With solid core values and decades of proven commitment to high ethical standards, we are a leading provider of fiduciary services dedicated to earning and maintaining the trust and confidence of our clients. Our team of experienced financial, legal, and administrative professionals provide a wide range of highly specialized fiduciary services focused on Employee Benefits, Personal Trust, and Farm Services. With more than $12 billion in assets under management, we service clients nationwide, with offices in Illinois, Missouri, Pennsylvania, Arizona, and Georgia.

For additional financial information contact:
Brian A. Ippensen, President
(217) 228-8060

Board of Directors

Steven R. Fisher
Michele R. Foster
Donald K. Gnuse
Brian A. Ippensen
Steven E. Siebers

Stockholder Information

Common shares authorized:	5,000,000
Common shares outstanding as of December 31, 2020:	3,089,773
Certificate holders of record:	352*

*As of March 26, 2021

Inquiries regarding transfer requirements, lost certificates, changes of address and account status should be directed to the corporation's transfer agent:

AST Shareholder Services
6201 15th Avenue
Brooklyn, NY 11219

Corporate Address

TI-Trust, Inc.
2900 North 23rd Street
Quincy, IL 62305

Independent Auditors

BKD, LLP
211 N. Broadway, Suite 600
St. Louis, Missouri 63102

General Counsel

Bryan Cave
Leighton Paisner
211 N Broadway #3600
St. Louis Missouri 63102

TI-TRUST Officers

President/CEO

Brian A. Ippensen

Executive Vice Presidents

Steven P. Eckert
Michele R. Foster
P. Dawn Goestenkors
Julie E. Kenning, CFO
Jayson E. Martin
Larry E. Shepherd

Internal Auditor

Timothy W. Corrigan

Senior Vice Presidents

Frank "Chip" Brown
Joseph E. Harris
Ashley Melton
Mary A. Schmidt
Kimberly A. Serbin

Vice Presidents

Teresa L. Daggett
Paul R. Edwards, III
Robin L. Fitzgibbons
Susan K. Knoche
Brenda K. Martin
Blake R. Mock
John P. Shelton

Senior Trust Officers

Craig L. Baker
Teresa F. Kuchling
Deborah J. Staff

Officers

Holly J. Allen
John T. Cifaldi
Marilyn J. Crim
Maria D. Eckert
Marisa J. Ermeling
Jennifer L. Gordley
Elizabeth J. Gustison
Joy K. Hanks
Kelly M. Ponce
Sherri A. Zuspann

Our History

In 1946, a group of Quincy businessmen decided to establish a new bank on Quincy's North side with the dream of providing area residents with quality banking services for a lifetime. By 1956, the bank was doing well and the dream was becoming more of a reality. With an eye toward the future, the bank received trust powers to broaden its commitment of service. Like most trust departments, it provided traditional trust services for estate settlement and trust established by a will or other agreements. In 1989 the bank saw an opportunity to expand its trust services by serving as trustee for Employee Stock Ownership Plans (ESOP). For several years to follow, the mutual savings institutions were converting to stock based banks and thrifts and as part of those conversions, ESOPs were established to provide the institution's employees with ownership in the new organization. In 1993, the trust department managed over $50 million in personal trust and employee benefit assets. On July 1, 2004, the trust department managed $1.2 billion in assets across 548 accounts and became a separate company, First Bankers Trust Services, Inc. (FBTS), a wholly owned subsidiary of First Bankers Trustshares, Inc. In 2012, FBTS expanded its personal trust and farm management services in Quincy and opened an office in St. Peters, Missouri. On July 1, 2019, First Bankers Trust Services, Inc. spun off from their parent company, First Bankers Trustshares, becoming an independent trust company with over 300 shareholders. Re-branded as TI-Trust, Inc., the company has over $12 billion in assets under management to date.

Mission Statement

To provide the highest level of care in managing legacies for those we serve.

Vision Statement

To be a leading provider of fiduciary services for our clients through superior, innovative, and efficient delivery of services made possible by a dedicated team of individuals committed to excellence.

Values Statement

WE BELIEVE:

People Matter: Our employees, shareholders, clients, and those in the communities where we live and work are our most valuable asset. Through our efforts, we help them meet their needs and achieve their aspirations.

Integrity Matters: We believe in consistently doing the right thing. Through our actions, we seek to earn the respect and appreciation from our people.

Community Matters: We are a part of something bigger than ourselves. Through kindness, we strive to create goodwill in our workplace and in our communities.

Excellence Matters: We are continually adapting to improve the superior quality of our services. Through our collaboration, we strive to be the best we can for our people.

April 5, 2021

To our shareholders:

Brian A. Ippensen
President and CEO

2020. It will certainly be a year to remember.

One year ago, when we issued our first annual report as TI-TRUST, Inc., the world was a very uncertain place. COVID-19 had spread worldwide, grinding business activities to a halt and plummeting its economic measures. The virus' characteristics and avoidance led to fear.

In mid-March 2020, like many other businesses, we began our first, of many, two week shutdowns, with 90% of our staff immediately working remotely from home. Fortunately for TI-TRUST, many years ago we developed a business continuity plan which contemplated such an event. Once instituted, within hours we had our staff working from home and providing the service our clients have come to expect. Through it all, we didn't miss a distribution, trade settlement, the delivery of a statement, an email or a phone call. As the days turned to weeks and weeks to months, we adapted by modifying our interactions and deploying technologies; all while maintaining focus on our Mission:

To provide the highest level of care in managing legacies for those we serve.

Working from home has it benefits. However, as the situation drew on longer, the balancing of work and home demands was not easy. Employees adapted to a new working environment and built distanced relationships with each other and our clients; all while attending to the needs of their families, including elderly adults, school age children and maybe even a spouse working from home, too. We too had employees that contracted COVID-19, and by very good graces, none were severe and all have since recovered. Through it all, this constant commitment by our employees to each other and our clients exemplified our Vision and helped the Company grow new client relationships to now manage more than $12 billion in client assets.

I am exceptionally proud of this entire team and grateful for their work from such dedicated individuals!

In the following pages, you will find our audited financial statements. We finished 2020 with a strong balance sheet and solid earnings report. We increased recurring fee revenues year over year by 3%. 2019 was a record year for TI-TRUST revenues with transaction fee activity reflecting the positive economic events of that year. For 2020, our transactions fees were down 61% from the prior year, directly correlated to the COVID-19 pandemic stalling merger and acquisition activities. We focused on what we could control and managed our operating expenses with a 2% year over year increase, which includes one-time expenses of more than $200,000; without these one-time expenses, our operating expenses would have declined. As we enter into 2021, we see signs of economic recovery and interest in our services for farm management, personal trust and employee benefits.

The Company engaged Mercer Capital, Inc. for an annual stock price update. I am also pleased to report that our December 31, 2020 stock price is $6.10 per share, an increase of 22% over the prior year. The Board of your Company has adopted a $0.06 per share dividend to be paid on May 28, 2021 for shareholders of record as of April 30, 2021.

2020 was an exceptional year. It will certainly be a year to remember. Thank you for your encouragement and continued investment in TI-TRUST, Inc.!

Sincerely,

Brian A. Ippensen
President/CEO

BKD
CPAs & Advisors

One Metropolitan Square | 211 N. Broadway, Suite 600 | St. Louis, MO 63102-2733
314.231.5544 | Fax 314.231.9731 | bkd.com

Independent Auditor's Report

Board of Directors, Audit Committee
and Management
TI-Trust, Inc.
Quincy, Illinois

We have audited the accompanying financial statements of TI-Trust, Inc. (Company) which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TI-Trust, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

PRAXITY®
Empowering Business Globally

St. Louis, Missouri
March 31, 2021

Balance Sheets

December 31, 2020 and 2019

Assets

	2020	2019
Cash and due from banks		
Noninterest-bearing	$ 1,339,674	$ 873,453
Interest-bearing	3,261,943	2,346,373
Total cash and due from banks	4,601,617	3,219,826
Interest-bearing time deposits	971,000	971,000
Trust fee income receivable, net of allowance for uncollectible accounts (2020 and 2019 - $45,000)	463,918	390,016
Interest receivable	37,599	38,866
Available-for-sale debt securities	7,395,918	5,820,034
Goodwill	240,000	240,000
Property and equipment, net	1,470,807	1,630,533
Other assets	284,648	269,399
Total assets	$ 15,465,507	$ 12,579,674

Liabilities and Stockholders' Equity

	2020	2019
Liabilities		
Trust deferred fee income	$ 2,462,497	$ 2,791,505
Payroll and benefits accrued expenses	846,928	916,038
Accounts payable and other accrued expenses	362,102	290,129
Paycheck Protection Program Loan	925,000	-
Total liabilities	4,596,527	3,997,672
Stockholders' Equity		
Preferred stock, $.01 par value, authorized 2,000,000 shares; 0 issued and outstanding	-	-
Common stock, $.01 par value, authorized 5,000,000 shares; 3,089,773 issued and outstanding	30,898	30,898
Additional paid-in capital	3,469,102	3,469,102
Retained earnings	7,142,189	5,015,038
Accumulated other comprehensive income	226,791	66,964
Total stockholders' equity	10,868,980	8,582,002
Total liabilities and stockholders' equity	$ 15,465,507	$ 12,579,674

See Notes to Financial Statements

Statements of Income and Comprehensive Income

Year Ended December 31, 2020 and 2019

	2020	2019
Revenues		
Annual trust fees, net	$ 9,951,197	$ 9,664,595
Transaction fees	848,993	2,188,269
Distribution fees	534,717	568,766
Interest income		
Taxable debt securities	136,547	127,312
Non-taxable debt securities	13,561	3,605
Other	36,257	89,815
Other	8,094	83,179
Total revenues	11,529,366	12,725,541
Expenses		
Salaries and employee benefits	6,212,964	6,150,215
Occupancy	295,494	316,316
Depreciation	185,087	171,573
Professional fees	353,035	364,490
Computer processing	341,599	328,849
General and administrative	794,222	877,345
Other	209,481	56,492
Total expenses	8,391,882	8,265,280
Income Before Income Taxes	3,137,484	4,460,261
Provision for Income Taxes	917,640	1,278,844
Net Income	2,219,844	3,181,417
Other Comprehensive Income		
Unrealized appreciation on available-for-sale debt securities, net of taxes of $63,707 in 2020 and $56,177 in 2019	159,827	140,903
Comprehensive Income	$ 2,379,671	$ 3,322,320

See Notes to Financial Statements

Statements of Changes in Stockholders' Equity

Year Ended December 31, 2020 and 2019

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2019	$ 100,000	$ 3,400,000	$ 5,033,621	$ (73,939)	$ 8,459,682
Reallocation for change in par value	(69,102)	69,102	-	-	-
Net income	-	-	3,181,417	-	3,181,417
Dividends paid ($32 per share)	-	-	(3,200,000)	-	(3,200,000)
Other comprehensive income	-	-	-	140,903	140,903
Balance, December 31, 2019	$ 30,898	$ 3,469,102	$ 5,015,038	$ 66,964	$ 8,582,002
Net income	-	-	2,219,844	-	2,219,844
Dividends paid ($0.03 per share)	-	-	(92,693)	-	(92,693)
Other comprehensive income	-	-	-	159,827	159,827
Balance, December 31, 2020	$ 30,898	$ 3,469,102	$ 7,142,189	$ 226,791	$ 10,868,980

See Notes to Financial Statements

Statements of Cash Flows

Year Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Net Income	$ 2,219,844	$ 3,181,417
Items not requiring cash		
Depreciation on property and equipment	185,087	171,573
Amortization on debt securities, net of accretion	15,232	14,896
Loss on asset disposal	-	16,599
Changes in		
Fee income receivable, net	(73,902)	159,951
Interest receivable	1,267	(4,395)
Other assets	(15,249)	(57,286)
Deferred tax liability	25,306	(42,976)
Deferred fee income	(329,008)	(24,001)
Payroll and benefits accrued expenses	(69,110)	169,190
Accounts payable and other accrued expenses	(17,040)	130,829
Net cash provided by operating activities	1,942,427	3,715,797
Investing Activities		
Net change in interest-bearing time deposits	-	900,000
Purchases of property and equipment	(25,361)	(238,209)
Purchases of available-for-sale debt securities	(3,167,582)	-
Proceeds from maturities or calls on available-for-sale debt securities	1,800,000	-
Net cash provided by (used in) investing activities	(1,392,943)	661,791
Financing Activities		
Proceeds from Paycheck Protection Program loan	925,000	-
Dividends paid	(92,693)	(3,200,000)
Net cash provided by (used in) financing activities	832,307	(3,200,000)
Increase in Cash and Cash Equivalents	1,381,791	1,177,588
Cash and Cash Equivalents, Beginning of Year	3,219,826	2,042,238
Cash and Cash Equivalents, End of Year	$ 4,601,617	$ 3,219,826
Supplemental Cash Flows Information		
Income taxes paid	$ 1,545,135	$ 1,048,196

See Notes to Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

TI-Trust, Inc. (Company) provides asset and custodial management services for individual and corporate clients throughout the country. All administration is conducted in Quincy, Illinois, with sales offices in Hinsdale, Illinois, St. Peters, Missouri, Philadelphia, Pennsylvania, Atlanta, Georgia and Phoenix, Arizona. The Company is subject to competition from investment management firms along with other trust companies and banks with trust powers.

Assets held by the Company on the behalf of clients are not assets of the Company, and accordingly, are not included in the financial statements. Assets under management totaled $12,204,016,750 and $10,602,258,572 as of December 31, 2020 and 2019, respectively. During the course of discharging its respective responsibilities for each client, the Company is subject to a number of federal and state regulatory bodies and associated rules governing each type of account. The Company is regulated by the Illinois Department of Financial and Professional Regulation.

On July 1, 2019, the Company was divested from its former parent company, First Bankers Trustshares, Inc. The Company was rebranded as TI-Trust, Inc. at that time. As a result of this divestiture, the Company's Articles of Incorporation were restated and the par value of the Company's common stock was reduced to $.01 from $1 per share. The dividends paid during 2019 were paid to First Bankers Trustshares, Inc. and the dividends per share amount is stated in the Statement of Changes in Stockholders' Equity based on the shares of the Company owned by First Bankers Trustshares, Inc. at the time the dividends were declared.

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 those estimates.

A material estimate that is particularly susceptible to significant change relates to the fair value of available-for-sale debt securities.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit. At December 31, 2020, the Company's cash accounts exceeded federally insured limits by approximately $4,389,000.

Interest-Bearing Time Deposits

Interest-bearing time deposits in banks mature within 50 months and are carried at cost, which approximates fair value.

Debt Securities

The Company's debt securities are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluding from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the earlier of the call date or the terms of the securities. Gains and losses on the sales of debt securities are recorded on the trade dates and are determined using the specific identification method.

For a debt security with a fair value below amortized cost when the Company does not intend to sell a debt security, and it is more likely than not, the Company will not have to sell the debt security before recovery of its cost basis, it recognizes the credit component of an OTTI of a debt security in earnings and the remaining portion in other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the debt security as projected based on cash flow projections.

Trust Fee Income Receivable and Trust Deferred Fee Income

Trust fee income receivable and trust deferred fee income represent servicing fees due from client account relationships. The Company collects fees for services in either one of two methods: in arrears or in advance. Trust fee income receivable is stated at the amount of consideration from clients for which the Company has an unconditional right to receive in arrears of the service. For accounts that pay after the services are completed, those fees are collected at the end of the billing period. Trust deferred fee income is stated as the net amount of cash received in advance and revenue earned. Revenues are recognized ratably during the term of the service period which is typically year-to-year. On a periodic basis, management evaluates the Company's trust fee income receivable and determines which accounts to charge off based on aging, past write-offs and current credit conditions. There was no provision for doubtful accounts charged for the years ended December 31, 2020 or 2019.

Property and Equipment

Land is carried at cost. Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	40 years
Building and leasehold improvements	3 - 15 years
Furniture and equipment	3 - 15 years

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied values. Subsequent increases in goodwill value are not recognized in the financial statements.

Paycheck Protection Program (PPP) Loan

The Company received a PPP loan established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and has elected to account for the funding as a loan in accordance with Financial Accounting Standards Codification (FASB) Accounting Standards Codification (ASC) Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (FASB ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely- than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company recognizes interest and penalties, if any, on income taxes as a component of income tax expense.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation on available-for-sale securities.

Revenue Recognition

Annual trust fees represent fees earned in conjunction with providing annual fiduciary services such as trust administration, investment management or asset custody. Transaction fees represent non-recurring fees for the execution of specific transactions related to trust administration, investment management or asset custody. Distribution fees represent fees for distribution of principal or income to beneficiaries.

Substantially all of the Company's revenue is generated from contracts with clients in which fees are earned from the management and administration of trusts and other assets. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally either prepaid or paid at the end of a specified period and can be paid through a direct charge to clients' accounts. The Company does not earn performance based incentives. The Company's performance obligation for transactional-based services is generally satisfied, and related revenue recognized, at a point in time, *i.e.*, as incurred. Payment is to be received shortly after services begin or at the time the service is rendered.

Contract Balances

A contract asset balance occurs when the Company performs a service for a client before the client pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability is the Company's obligation to perform a service for which the Company has already received payment (or payment is due) from the client. The Company's revenue streams are largely based on transactional activity, or standard month-end revenue accruals such as asset management fees based on month-end market values. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with clients, and therefore, does not experience significant contract balances. As of December 31, 2020 and 2019, the Company did not have any significant contract balances.

Contract Acquisition Costs

In connection with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), the Company is required to capitalize and subsequently amortize into expense, certain incremental costs of obtaining a contract with a client if these costs are expected to be recovered. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a client that it would not have incurred if the contract had not been obtained (for example, sales commission). The Company utilizes the practical expedient which allows an entity to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less.

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Company. The severity and duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 2: Debt Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of available-for-sale debt securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
U.S. government-sponsored enterprises (GSEs)	$ 6,878,728	$ 321,022	$ (4,590)	$ 7,195,160
State and political subdivisions	200,000	758	-	200,758
Total	$ 7,078,728	$ 321,780	$ (4,590)	$ 7,395,918
December 31, 2019				
U.S. government-sponsored enterprises (GSEs)	$ 5,526,301	$ 94,068	$ (1,001)	$ 5,619,368
State and political subdivisions	200,077	589	-	200,666
Total	$ 5,726,378	$ 94,657	$ (1,001)	$ 5,820,034

The amortized cost and fair value of available-for-sale debt securities at December 31, 2020, by contractual maturity are shown below. 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.

December 31, 2020	Amortized Cost	Fair Value
Within one year	$ 1,002,484	$ 1,005,741
One to five years	2,616,814	2,759,430
Five to 10 years	3,459,430	3,630,747
Total	$ 7,078,728	$ 7,395,918

The fair value of securities pledged as collateral to various state regulatory agencies for trust operations was $2,222,463 and $1,135,230 at December 31, 2020 and 2019, respectively.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments was $836,118 at December 31, 2020, and $999,562 at December 31, 2019, which is approximately 11 and 17 percent, respectively, of the Company's available-for-sale debt securities portfolio. These declines primarily resulted from changes in market rates. Management believes the declines in fair value for these securities are temporary.

The following table shows the Company's investments' gross unrealized losses and fair value of the Company's available-for-sale debt securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2020 and 2019:

	December 31, 2020					
	Less than 12 Months		12 Months of More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government-sponsored enterprises (GSEs)	$ 836,118	$ (4,590)	$ -	$ -	$ 836,118	$ (4,590)
Total temorarily impaired securities	$ 836,118	$ (4,590)	$ -	$ -	$ 836,118	$ (4,590)

	December 31, 2019					
	Less than 12 Months		12 Months of More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government-sponsored enterprises (GSEs)	$ -	$ -	$ 999,562	$ (1,001)	$ 999,562	$ (1,001)
Total temorarily impaired securities	$ -	$ -	$ 999,562	$ (1,001)	$ 999,562	$ (1,001)

U.S. Government-Sponsored Enterprises (GSEs)

The unrealized losses on the Company's investments in direct obligations of U.S. GSEs were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the debt securities at prices less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than temporarily impaired at December 31, 2020.

Note 3: Property and Equipment

Major classifications of property and equipment, stated at cost as of December 31, 2020 and 2019, are as follows:

	2020	2019
Land	$ 98,470	$ 98,470
Building and improvements	1,764,876	1,764,876
Furniture and equipment	1,505,428	1,480,066
Total cost	3,368,774	3,343,412
Less accumulated depreciation	1,897,967	1,712,879
Net property and equipment	$ 1,470,807	$ 1,630,533

Note 4: Long-Term Debt

On April 14, 2020, the Company received a loan in the amount of $925,000 pursuant to the PPP. The Company believes all of the proceeds have been used to make eligible payments and, therefore, it has submitted an application for the loan to be forgiven. Per the note agreement, the loan is payable in equal monthly principal and interest payments commencing on November 14, 2020, with a final payment due April 14, 2022. Interest accrues at a rate of 1.00 percent and is payable monthly. The note is guaranteed by the SBA.

In October 2020, the *Paycheck Protection Program Flexibility Act of 2020* extended the deferral period for borrower payments of principal and interest on PPP loans to the date the SBA remits the borrower's loan forgiveness amount to the lender or 10 months after the end of the borrower's covered period. The Company's first payment of principal and interest becomes contractually due on September 14, 2021, which is 10 months after the end of the Company's covered period. Equal monthly payments are due through April 14, 2022.

Aggregate annual maturities of payments of long-term debt at December 31, 2020, are:

2021	$	455,514
2022		469,486
	$	925,000

Note 5: Operating Leases

Noncancellable operating leases for office space expire in 2021. These leases generally contain renewal options of varying length. Rent expense for these leases was $114,619 for 2020. Future minimum lease payments at December 31, 2020, were $62,983 due to be paid in 2021.

Note 6: Income Taxes

The Company files income tax returns in the U.S. federal and state of Illinois, Arizona, and Georgia jurisdictions.

The provision for income taxes includes these components as of December 31, 2020 and 2019:

		2020		2019
Taxes currently payable	$	892,334	$	1,321,820
Deferred income taxes		25,306		(42,976)
Income tax expense	$	917,640	$	1,278,844

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense as of December 31, 2020 and 2019, is shown below:

		2020		2019
Computed at the statutory rate (21%)	$	658,872	$	936,655
Increase resulting from				
Non-deductible expenses		6,261		53,889
State income taxes		224,993		239,328
Other		27,514		48,972
Actual tax expense	$	917,640	$	1,278,844

The tax effects of temporary differences related to deferred taxes shown on the balance sheet was as follows as of December 31, 2020 and 2019. Net deferred tax liability is recorded within accounts payable and other accrued expenses on the balance sheet.

		2020		2019
Deferred tax assets				
Payroll and benefits accrued expenses	$	64,000	$	46,000
Other		10,400		110,900
Deferred tax asset		74,400		159,900
Deferred tax liability				
Prepaid expenses		(81,000)		(110,000)
Depreciation		(72,000)		(172,000)
Unrealized gains on available-for-sale debt securities		(90,399)		(26,692)
Deferred tax liability		(243,399)		(308,692)
Net deferred tax liability	$	(168,999)	$	(151,792)

Note 7: Minimum Organizational Capital

The Company is subject to the Illinois Department of Financial and Professional Regulation's minimum organizational capital requirement of $3,000,000. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The Company's capital levels were in excess of the required minimum at December 31, 2020 and 2019.

The Company is also required to pledge to the Illinois Department of Financial and Professional Regulation a surety bond or securities in the amount of $2,000,000 for the purpose of covering any costs attributable to a receivership of the trust company. The pledged securities or surety bond is in addition to the Company's minimum capital requirement. The Company has pledged securities with market values in excess of the minimum requirement of $2,000,000 at December 31, 2020.

Note 8: Related Party Transacations

On July 1, 2019, the Company became an independent trust company. From January 1 through June 30, 2019, the Company was affiliated with First Bankers Trust Company, Inc. (First Bankers), a sister organization. The Company recognized intercompany revenue of $35,008 from First Bankers from January 1 through June 30, 2019. This is recorded within other income on the statement of income. The Company also recognized $21,714 of intercompany management expense with First Bankers from January 1 through June 30, 2019. This is recorded within professional services on the statement of income. Rental expense of $37,692 was paid to First Bankers for the each of the years ended December 31, 2020 and 2019. This is recorded within occupancy expense on the statement of income.

Note 9: Profit-Sharing and Incentive Compensation Plans

The Company has a 401(k) profit-sharing plan and an incentive compensation plan. The accrued expenses related to these employee benefits are recorded within payroll and benefits accrued expenses on the balance sheet.

The 401(k) profit sharing plan, which is a tax qualified savings plan, covers substantially all of the Company's employees. All full time employees are eligible to participate upon the first day of the month following 30 days of employment and attaining the age of 18. Part time or seasonal workers are eligible to participate in the Plan after completion of one year or 1,000 hours of service and attaining the age of 18. The employee may elect to contribute a percentage or a flat dollar amount of compensation before taxes in a traditional 401(k) and/or a percentage of compensation after taxes using the Company's Roth 401(k) option. The Company may match a percentage of employee contributions. Historically this has been up to 2 percent of employee contributions based upon employee gross wages. Additionally, based upon profits, a profit sharing contribution may be made by the Company. The Company contributed an additional amount of 4 and 5 percent of employee gross wages for the years ended December 31, 2020 and 2019, respectively. Employees are 100 percent vested in the Company's contribution plan after five years of service. Employee contributions and vested Company contributions may be withdrawn only on termination of employment, retirement, death or hardship withdrawal.

Under the incentive compensation plan, established funds are distributed to certain employees based on their performance and the funds are based on discretionary approval from the Board of Directors.

The financial statements include expense related to the 401(k) plan of $283,430 and $278,869 for the years ended December 31, 2020 and 2019, respectively. The financial statements include expense related to the incentive compensation plan of $204,248 and $431,488 for the years ended December 31, 2020 and 2019, respectively.

Note 10: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	Total Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Assets				
Available-for-sale debt securities				
U.S. government-sponsored enterprises (GSEs)	$ 7,195,160	$ -	$ 7,195,160	$ -
State and political subdivisions	200,758	-	200,758	-
Total available-for-sale debt securities	$ 7,395,918	$ -	$ 7,395,918	$ -
December 31, 2019				
Assets				
Available-for-sale debt securities				
U.S. government-sponsored enterprises (GSEs)	$ 5,619,368	$ -	$ 5,619,368	$ -
State and political subdivisions	200,666	-	200,666	-
Total available-for-sale debt securities	$ 5,820,034	$ -	$ 5,820,034	$ -

Following is a description of the valuation methodology and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2020.

Available-for-Sale Debt Securities

Where quoted market prices are available in an active market, debt securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of debt securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently secured market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such debt securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, debt securities are classified within Level 2 of the hierarchy.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Self-Insurance

Under the Company's health insurance program, coverage is obtained for medical and pharmaceutical claims of which up to $65,000 per claim is paid by the Company. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims incurred and totaled approximately $577,000 and $450,000 during 2020 and 2019, respectively. The amount of actual losses incurred could differ materially from estimates reflected in salaries and employee benefits expense in these financial statements.

Note 12: Future Change in Accounting Principle

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for statement of income recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Company is evaluating the effect the standard will have on the financial statements; however, the standard is not expected to have a material effect on the financial statements.

Note 13: Subsequent Events

Subsequent events have been evaluated through March 31, 2021, which is the date the financial statements were available to be issued.

The Company received notification from its lender and the SBA in March 2021 that its PPP loan has been forgiven. The Company will accordingly recognize the amount of the loan as noninterest ncome in its 2021 statement of income and comprehensive income.

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