TRUE INTEGRITY FIDUCIARY SERVICES

TI-TRUST, INC.
ANNUAL REPORT 2021

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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 65 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 $14 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	Brian A. Ippensen
Michele R. Foster	Steven E. Siebers
Donald K. Gnuse	

Stockholder Information

Common shares authorized:	5,000,000
Common shares outstanding as of December 31, 2021:	2,839,789
Certificate holders of record:	334*

*As of March 18, 2022

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
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

Lauryn K. Oshner

Senior Vice Presidents

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

Vice Presidents

Teresa L. Daggett
Maria D. Eckert
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
Marissa J. Ermeling
Teresa F. Kuchling
Deborah J. Staff

Officers

Holly J. Allen
John T. Cifaldi
Zachary Clark
Marilyn J. Crim
Adam S. Furman
Jennifer L. Gordley
Elizabeth 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 $14 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 22, 2022

To our shareholders:

Brian A. Ippensen
President and CEO

As TI-TRUST entered the new year of 2021, we were guardedly optimistic. Like so many, we were ready to distance ourselves from the pandemic and had encouraging news on the prevention and treatment of the virus. What we discovered in 2021 is that the year would prove to be challenging, and returning to pre-pandemic status was a task easier said than done.

Fortunately for the Company, we saw a return to pre-pandemic levels of new client activity and the expansion of our markets. Our client visits and communications had adapted to the new normal of both in person visits and reliance on video conferencing. Like after a summer thunderstorm, everyone began to consider if it was safe to come outside!

Last year marked a number of successful financial milestones. First, our stock tender offer was a great success as the Company was able to redeem nearly $1.5 million in issued shares. Next, for the first time in our 65 year history, the Company surpassed the $10 million mark in recurring revenues, assets under management exceeded $14 billion, and net income reached new heights, surpassing any year previous. You will find more financial results in the enclosed audited financial statements.

As a shareholder, Total Shareholder Return (TSR) is a financial measure of success of ownership. In our business, to have a good TSR, we need to have another kind of TSR: Talent, Strategy and Reputation. At the core of what we do, TI-TRUST is a people business, filled with relationships and supported by the talented individuals here at the Company. Finding and keeping that talent is what sustains the engine for growth of this organization. Through all of the adversity in the past two years, our employees were resilient and steadfast in their commitments to the clients, each other, and the Company. I am very proud, and thankful, for the talent we have!

Strategy is that collection of decisions yesterday and today that move the Company forward into the future. As you know, our long-time Board Chairman and the architect of TI-TRUST, Don Gnuse, will be retiring at our May annual meeting after more than 66 years of leadership in financial institutions. His visionary aspirations during his career helped not only lay a foundation, it built a nationally recognized Company. One person does make a difference!

All that we have accomplished to date and plan to accomplish in the future is measured by our reputation. How we are perceived by our clients, our referral sources and our community says a lot about our organization. Our reputation in delivering superior service to our clients continues to fulfill our Mission!

Our TSR for 2021 is strong!

The Company engaged Mercer Capital, Inc. for the annual stock price update, and I am pleased to report that as of December 31, 2021, the stock price has increased nearly 8% to $6.58 per share. The Board of your Company has approved the annual dividend to be $0.10 per share for 2021, a 66% increase from the prior year, payable on April 29, 2022 for shareholders of record as of April 15, 2022.

Thank you for you continued investment in TI-TRUST, Inc.!

Sincerely,

Brian Ippensen

Brian 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

Opinion

We have audited the financial statements of TI-Trust, Inc. ("Company") which comprise the balance sheets as of December 31, 2021 and 2020, 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.

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

Basis for Opinion

We conducted our audits in accordance with accounting 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 the Company and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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 the Company's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Board of Directors, Audit Committee
and Management
TI-Trust, Inc.
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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 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 the Company'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 the Company'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.

BKD, LLP

St. Louis, Missouri
April 25, 2022

TI-Trust, Inc.

Balance Sheets

Years Ended December 31, 2021 and 2020

Assets	2021 As Restated - Note 12	2020
Cash and due from banks		
Noninterest-bearing	$ 563,963	$ 1,339,674
Interest-bearing	1,297,355	3,261,943
Total cash and due from banks	1,861,318	4,601,617
Interest-bearing time deposits	1,221,000	971,000
Trust fee income receivable, net of allowance for uncollectible accounts (2021 - $900 and 2020 - $45,000)	489,737	463,918
Interest receivable	35,408	37,599
Available-for-sale debt securities	8,273,109	7,395,918
Equity securities	2,556,471	-
Goodwill	240,000	240,000
Property and equipment, net	1,732,325	1,470,807
Other assets	534,202	284,648
Total assets	$ 16,943,570	$ 15,465,507

Liabilities and Stockholders' Equity

	2021 As Restated - Note 12	2020
Liabilities		
Trust deferred fee income	$ 2,696,447	$ 2,462,497
Payroll and benefits accrued expenses	1,015,786	846,928
Accounts payable and other accrued expenses	393,761	362,102
Paycheck Protection Program loan	-	925,000
Total liabilities	4,105,994	4,596,527
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; issued; 3,089,773 shares; outstanding; 2021 - 2,839,789 shares, 2020 - 3,089,773 shares	30,898	30,898
Additional paid-in capital	3,469,102	3,469,102
Retained earnings	10,797,145	7,142,189
Accumulated other comprehensive income	40,335	226,791
Treasury stock, at cost; 2021 - 249,984 shares, 2020 - 0 shares	(1,499,904)	-
Total stockholders' equity	12,837,576	10,868,980
Total liabilities and stockholders' equity	$ 16,943,570	$ 15,465,507

See Notes to Financial Statements

TI-Trust, Inc.

Statements of Income and Comprehensive Income

Years Ended December 31, 2021 and 2020

	2021 As Restated - Note 12	2020
Revenues		
Annual trust fees, net	$ 10,381,817	$ 9,951,197
Transaction fees	1,976,278	848,993
Distribution fees	532,966	534,717
Interest income		
Taxable debt securities	146,523	150,108
Other	57,096	36,257
Other		
Forgiveness of Paycheck Protection Program Loan	925,000	-
Employee Retention Credit	398,711	-
Unrealized losses on equity securities	(43,833)	-
Other	5,274	8,094
Total revenues	14,379,832	11,529,366
Expenses		
Salaries and employee benefits	6,751,880	6,212,964
Occupancy	451,544	295,494
Depreciation	172,692	185,087
Professional fees	445,574	353,035
Computer processing	388,980	341,599
General and administrative	952,687	794,222
Other	233,335	209,481
Total expenses	9,396,692	8,391,882
Income Before Income Taxes	4,983,140	3,137,484
Provision for Income Taxes	1,142,799	917,640
Net Income	3,840,341	2,219,844
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale debt securities, net of taxes of ($74,321) in 2021 and $63,707 in 2020	(186,456)	159,827
Comprehensive Income	$ 3,653,885	$ 2,379,671

See Notes to Financial Statements

TI-Trust, Inc.

Statements of Changes in Stockholders' Equity

Years Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings As Restated - Note 12	Accumulated Other Comprehensive Income	Treasury Stock	Total As Restated Note 12
Balance, January 1, 2020	$ 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
Net income	-	-	3,840,341	-	-	3,840,341
Dividends paid ($0.06 per share)	-	-	(185,385)	-	-	(185,385)
Purchase of treasury stock - 249,984 shares	-	-	-	-	(1,499,904)	(1,499,904)
Other comprehensive loss	-	-	-	(186,456)	-	(186,456)
Balance, December 31, 2021	$ 30,898	$ 3,469,102	$ 10,797,145	$ 40,335	$ (1,499,904)	$ 12,837,576

TI-Trust, Inc.
Statements of Cash Flows
December 31, 2021 and 2020

	2021 As Restated - Note 12	2020
Operating Activities		
Net income	$ 3,840,341	$ 2,219,844
Items not requiring cash		
Depreciation on property and equipment	172,692	185,087
Amortization on debt securities, net of accretion	30,181	15,232
Loss on asset disposal	91,768	-
Unrealized losses on equity securities	43,833	-
Gain from forgiveness of Paycheck Protection Program loan	(925,000)	-
Changes in		
Fee income receivable, net	(25,819)	(73,902)
Interest receivable	2,191	1,267
Other assets	(249,555)	(15,249)
Deferred tax liability	181,682	25,306
Deferred fee income	233,950	(329,008)
Payroll and benefits accrued expenses	168,858	(69,110)
Accounts payable and other accrued expenses	(75,701)	(17,040)
Net cash provided by operating activities	3,489,421	1,942,427
Investing Activities		
Net change in interest-bearing time deposits	(250,000)	-
Purchases of property and equipment	(525,978)	(25,361)
Purchases of available-for-sale debt securities	(2,168,149)	(3,167,582)
Purchases of equity securities	(2,600,304)	-
Proceeds from maturities or calls on available-for-sale debt securities	1,000,000	1,800,000
Net cash used in investing activities	(4,544,431)	(1,392,943)
Financing Activities		
Proceeds from Paycheck Protection Program loan	-	925,000
Dividends paid	(185,385)	(92,693)
Purchase of treasury stock	(1,499,904)	-
Net cash provided by (used in) financing activities	(1,685,289)	832,307
Increase (Decrease) in Cash and Cash Equivalents	(2,740,299)	1,381,791
Cash and Cash Equivalents, Beginning of Year	4,601,617	3,219,826
Cash and Cash Equivalents, End of Year	$ 1,861,318	$ 4,601,617

See Notes to Financial Statements

TI-Trust, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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 Oakbrook, 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 $14,895,523,057 and $12,204,016,750 as of December 31, 2021 and 2020, 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.

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.

Material estimates that are particularly susceptible to significant change relates to the fair value of available-for-sale debt securities and equity securities.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit. At December 31, 2021, the Company's cash accounts exceeded federally insured limits by approximately $1,200,000.

Interest-Bearing Time Deposits

Interest-bearing time deposits in banks mature within 84 months and are carried at cost, which approximates fair value.

TI-Trust, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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 (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the earlier of the call dates 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 the 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 other than temporary impairment (OTTI) of a debt security in earnings and the remaining portion in other comprehensive income (loss). 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 based on cash flow projections.

Equity Securities

The Company measures equity securities at fair value with changes recognized in net income. Gains and losses on the sale of securities are recorded on the trade dates and are determined using the specific identification method.

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, 2021 or 2020.

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.

TI-Trust, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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.* 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 United States Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized. As of December 31, 2021, the Company has not been informed that its PPP loan has been selected for audit.

Employee Retention Credit (ERC) Program

During 2021, the Company recognized $398,711 of employee retention credits which are included in other income on the statement of income. At December 31, 2021, none of these credits remained outstanding.

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.

TI-Trust, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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 (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) 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 balance asset 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

TI-Trust, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, the Company did not have any significant contract balances.

Contract Acquisition Costs

In connection with FASB 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.

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

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, 2021				
U.S. government-sponsored enterprises (GSEs)	$ 8,016,696	$ 142,592	$ (86,924)	$ 8,072,364
State and political subdivisions	200,000	745	-	200,745
Total	$ 8,216,696	$ 143,337	$ (86,924)	$ 8,273,109

TI-Trust, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

	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

The amortized cost and fair value of available-for-sale debt securities at December 31, 2021, 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, 2021	Amortized Cost	Fair Value
Within one year	$ 901,575	$ 914,439
One to five years	5,097,001	5,208,907
Five to 10 years	2,218,120	2,149,763
Total	$ 8,216,696	$ 8,273,109

The fair value of securities pledged as collateral to various state regulatory agencies for trust operations was $2,082,007 and $2,222,463 at December 31, 2021 and 2020, 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 $3,699,304 at December 31, 2021, and $836,118 at December 31, 2020, which is approximately 45 and 11 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.

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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, 2021 and 2020:

	December 31, 2021					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government-sponsored enterprises (GSEs)	$ 3,147,224	$ (62,740)	$ 552,080	$ (24,184)	$ 3,699,304	$ (86,924)
Total temporarily impaired securities	$ 3,147,224	$ (62,740)	$ 552,080	$ (24,184)	$ 3,699,304	$ (86,924)

	December 30, 2020					
	Less than 12 Months		12 Months or 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 temporarily impaired securities	$ 836,118	$ (4,590)	$ -	$ -	$ 836,118	$ (4,590)

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 their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2021.

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Notes to Financial Statements
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Note 3: Property and Equipment

Major classifications of property and equipment, stated at cost as of December 31, 2021 and 2020 are as follows:

	2021	2020
Land	$ 98,470	$ 98,470
Building and improvements	1,592,798	1,764,876
Furniture and equipment	1,872,889	1,505,428
Total cost	3,564,157	3,368,774
Less accumulated depreciation	1,831,832	1,897,967
Net property and equipment	$ 1,732,325	$ 1,470,807

Note 4: Paycheck Protection Program Loan

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 were used to make eligible payments and, therefore, it submitted an application for the loan to be forgiven. The note was forgiven during the year ended December 31, 2021. A gain of $925,000 was recognized as revenue during the year ended December 31, 2021, as a result of the forgiveness of the PPP loan.

Note 5: Operating Leases

Noncancellable operating leases for office space expire in 2026. These leases generally contain renewal options of varying length. Rent expense for these leases was $189,273 and $114,619 for 2021 and 2020, respectively. Future minimum lease payments at December 31, 2021, were:

Years Ending December 31,	
2022	$ 142,084
2023	131,779
2024	60,893
2025	26,160
2026	17,098
Totals	$ 378,014

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Note 6: Income Taxes (As Restated – Note 12)

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, 2021 and 2020:

	2021 As Restated Note 12	2020
Taxes currently payable	$ 961,117	$ 892,334
Deferred income taxes	181,682	25,306
Income tax expense	$ 1,142,799	$ 917,640

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense as of December 31, 2021 and 2020, is shown below:

	2021 As Restated Note 12	2020
Computed at the statutory rate (21%)	$ 1,065,258	$ 658,872
Increase (decrease) resulting from		
Non-deductible expenses	1,168	6,261
State income taxes	270,043	224,993
Other	580	27,514
PPP loan forgiveness	(194,250)	-
Actual tax expense	$ 1,142,799	$ 917,640

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The tax effects of temporary differences related to deferred taxes shown on the balance sheet was as follows as of December 31, 2021 and 2020. Net deferred tax liability is recorded within accounts payable and other accrued expenses on the balance sheet.

	2021 As Restated Note 12	2020
Deferred tax assets		
Payroll and benefits accrued expenses	$ 20,074	$ 64,000
Other	13,644	10,400
Deferred tax asset	33,718	74,400
Deferred tax liability		
Prepaid expenses	(92,000)	(81,000)
Depreciation	(190,000)	(72,000)
Unrealized gains on available-for-sale debt securities	(16,077)	(90,399)
Unrealized losses on equity securities	(12,000)	-
Deferred tax liability	(310,077)	(243,399)
Net deferred tax liability	$ (276,359)	$ (168,999)

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, 2021 and 2020.

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, 2021.

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Note 8: Employee Benefits (As Restated – Note 12)

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

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 percent of employee gross wages for the years ended December 31, 2021 and 2020, 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 $306,304 and $283,430 for the years ended December 31, 2021 and 2020, respectively. The financial statements include expense related to the incentive compensation plan of $363,734 and $204,248 for the years ended December 31, 2021 and 2020, respectively.

Note 9: 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

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Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets 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, 2021 and 2020:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Assets				
Available-for-sale debt securities				
U.S. GSEs	$ 8,072,364	$ -	$ 8,072,364	$ -
State and political subdivisions	$ 200,745	$ -	$ 200,745	$ -
Equity securities	$ 2,556,471	$ 2,556,471	$ -	$ -
December 31, 2020				
Assets				
U.S. GSEs	$ 7,195,160	$ -	$ 7,195,160	$ -
State and political subdivisions	$ 200,758	$ -	$ 200,758	$ -

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, 2021.

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 3 of the hierarchy.

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Equity Securities

Where quoted market prices are available in an active market, 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 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 3 of the hierarchy.

The unrealized losses recognized on equity securities for the period ending December 31, 2021, totaled $43,833 and are recorded within other income in the accompanying income statements.

All unrealized losses recognized during the period on equity securities were recognized related to equity securities that were still held at the reporting date.

Note 10: 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. As of December 31, 2021, there were no outstanding or anticipated lawsuits.

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 $583,000 and $577,000 during 2021 and 2020, respectively. The amount of actual losses incurred could differ materially from estimates reflected in salaries and employee benefits expense in these financial statements.

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Notes to Financial Statements
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Note 11: 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 does not believe the impact of this standard to be material to its financial statements.

Note 12: Restatement of 2021 Financial Statements

The Company corrected an accrual related to Employee Stock Ownership Plan (ESOP) estimated discretionary contributions on its 2021 financial statements that were previously dated March 14, 2022, reducing payroll and benefits accrued expenses by $266,360, based on the board of directors' determination of the most probable contribution to be made for the ESOP for 2021. The board of directors voted to establish the ESOP prior to December 31, 2021, but it had not been legally formed at this point, and therefore the facts and circumstances of the ESOP are still being determined. As such, the 2021 balance sheet, statement of income and comprehensive income, statement of changes in stockholders' equity, statement of cash flows and related disclosures have been restated. Note 8 was restated to remove the disclosure of the estimated contribution for the ESOP and to remove other ESOP related disclosures.

In addition, Note 6 was restated to reflect the impact of the change. The components of the provision for income taxes was restated to change deferred income taxes from $105,756 to $181,682 and to change income tax expense from $1,066,873 to $1,142,799. The reconciliation of income tax expense was restated to change the amount computed at the statutory rate from $1,009,322 to $1,065,258, to change the impact of state income taxes from $250,053 to $270,043 and to change actual tax expense from $1,066,873 to $1,142,799. The tax effects of temporary differences related to deferred taxes shown on the balance sheets were restated to change payroll and benefits accrued expenses from $96,000 to $20,074, to change total deferred tax asset from $109,644 to $33,718 and to change total net deferred tax liability from $(200,433) to $(276,359). The following financial statement line items for fiscal year 2021 were affected by the change.

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	As Restated	As Previously Reported	Effect of Change
Balance Sheet			
Liabilities			
Payroll and benefits accrued expenses	$ 1,015,786	$ 1,282,146	$ (266,360)
Accounts payable and other accrued expenses	393,761	317,835	75,926
Total Liabilities	4,105,994	4,296,428	(190,434)
Stockholders' Equity			
Retained earnings	10,797,145	10,606,711	190,434
Total Stockholders' Equity	12,837,576	12,647,142	190,434
Income Statement			
Expenses			
Salaries and employee benefits	6,751,880	7,018,240	(266,360)
Total Expenses	9,396,692	9,663,052	(266,360)
Income Before Income Taxes	4,983,140	4,716,780	266,360
Provision for Income Taxes	1,142,799	1,066,873	75,926
Net Income	3,840,341	3,649,907	190,434
Comprehensive Income	3,653,885	3,463,451	190,434
Statement of Changes in Stockholders' Equity			
Net income	3,840,341	3,649,907	190,434
Total Retained Earnings	10,797,145	10,606,711	190,434
Total Stockholders' Equity	12,837,576	12,647,142	190,434
Statement of Cash Flows			
Net income	3,840,341	3,649,907	190,434
Deferred income taxes	181,682	105,756	75,926
Payroll and benefits accrued expenses	168,858	435,218	(266,360)

Note 13: Subsequent Events

Subsequent events have been evaluated through April 25, 2022, which is the date the financial statements were available to be issued.

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