TI-TRUST

TRUE INTEGRITY FIDUCIARY SERVICES

TI-TRUST, INC.
ANNUAL REPORT 2022

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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 $16 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

Carl Adams, Jr.	Steven R. Fisher
Michele R. Foster	Phyllis Hofmeister
Brian A. Ippensen	Steven E. Siebers

Stockholder Information

Common shares authorized:	5,000,000
Common shares outstanding as of December 31, 2022:	2,853,789
Certificate holders of record:	322*

*As of March 17, 2023

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
FORVIS, 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
Holly J. Allen
Craig L. Baker
Marissa J. Ermeling
Teresa F. Kuchling
Deborah J. Staff

Officers
John T. Cifaldi
Zachary Clark
Marilyn J. Crim
Adam S. Furman
Jennifer L. Gordley
Elizabeth Gustison
Joy K. Hanks
Kelly M. Ponce
Jennifer Sousa
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 $16 billion in assets under management to date.

Mission Statement

We are the trusted conduit for sharing prosperity.

Vision Statement

A rewarding financial future for all.

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 2023

Brian A. Ippensen
President and CEO

To our shareholders:

As we have turned the page on another year, our annual report and meeting is a great time to reflect on the past year's accomplishments. Last year did not disappoint!

The accomplishments of 2022, though, did not occur without concerted efforts from years past.

Our clients, professional service referrals and other financial institutions have recognized our unique standing as one of the few independent trust companies in the US. That stature provided an opportunity and eventual acquisition of trust assets from another financial institution in June 2022, further expanding our personal trust services.

During 2020 and 2021, we continued our focus on earnings to finance a shareholder stock redemption in November 2021. While continuing our modest annual dividend and solid earnings, nearly a year later, we made a special dividend. Though the redemption and the special dividend used a considerable balance of our cash, we managed our capital adequacy and provided important returns to our shareholders.

The establishment of our own Employee Stock Ownership Plan brought forth a plethora of excitement and congratulations from our employees, our referral sources and our clients. Using some of those shares redeemed in 2021, we contributed shares to this new retirement plan for our employees. Now, a portion of employees' retirement balances will be driven by the earnings of the Company, a significant motivation for continued growth and its value.

In the fall of 2022, we commissioned an in-depth, strategic planning process, developing our new mission and vision statements. We also conducted a number of studies to review our expense structure and information technology capabilities. Confirming our foundation today, allows us to grow into the future.

I look forward to reporting on whatever those successes that may come.

The Board of your Company has declared a dividend of $0.12 per share for the 2022 year, for shareholders of record as of March 31, 2023, payable on April 14, 2023. The ESOP trustee engaged an independent advisor and established the ESOP's annual stock price of $6.43 per share as of December 31, 2022.

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

Sincerely,

Brian Ippensen
President/CEO

FORVIS

One Metropolitan, 211 N. Broadway, Suite 600 / St. Louis, MO 63102
P 314.231.5544 / F 314.231.9731
forvis.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, 2022 and 2021, 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, 2022 and 2021, 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 – Lease Accounting

As discussed in Note 5 to the financial statements, in 2022 the Company adopted new accounting guidance for lease accounting. 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.

FORVIS, LLP

St. Louis, Missouri
March 8, 2023

TI-Trust, Inc.
Balance Sheets
December 31, 2022 and 2021

Assets

	2022	2021
Cash and due from banks		
Noninterest-bearing	$ 835,100	$ 563,963
Interest-bearing	1,044,126	1,297,355
Total cash and due from banks	1,879,226	1,861,318
Interest-bearing time deposits	1,599,000	1,221,000
Trust fee income receivable, net of allowance for uncollectible accounts (2022 - $11,500 and 2021 - $900)	572,643	489,737
Interest receivable	38,953	35,408
Available-for-sale debt securities	8,024,583	8,273,109
Equity securities	2,299,941	2,556,471
Goodwill	240,000	240,000
Property and equipment, net	1,636,919	1,732,325
Right of use assets - operating leases	706,131	-
Other assets	509,564	534,202
Total assets	$ 17,506,960	$ 16,943,570

Liabilities and Stockholders' Equity

	2022	2021
Liabilities		
Trust deferred fee income	$ 2,454,892	$ 2,696,447
Payroll and benefits accrued expenses	994,955	1,015,786
Operating lease liability	711,078	-
Accounts payable and other accrued expenses	76,127	393,761
Total liabilities	4,237,052	4,105,994
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; 2022 - 2,853,789 shares, 2021 - 2,839,789 shares	30,898	30,898
Additional paid-in capital	3,477,222	3,469,102
Retained earnings	11,623,595	10,797,145
Accumulated other comprehensive income (loss)	(445,903)	40,335
Treasury stock, at cost; 2022 - 235,984 shares, 2021 - 249,984	(1,415,904)	(1,499,904)
Total stockholders' equity	13,269,908	12,837,576
Total liabilities and stockholders' equity	$ 17,506,960	$ 16,943,570

See Notes to Financial Statements

TI-Trust, Inc.

Statements of Income and Comprehensive Income
Years Ended December 31, 2022 and 2021

	2022	2021
Revenues		
Annual trust fees, net	$ 10,594,749	$ 10,381,817
Transaction fees	2,113,782	1,976,278
Distribution fees	574,412	532,966
Interest income		
Taxable debt securities	147,866	146,523
Other	89,687	57,096
Other		
Forgiveness of Paycheck Protection Program Loan	-	925,000
Employee Retention Credit	-	398,711
Unrealized losses on equity securities	(256,530)	(43,833)
Other	10,348	5,274
Total revenues	13,274,314	14,379,832
Expenses		
Salaries and employee benefits	7,025,227	6,751,880
Occupancy	368,890	451,544
Depreciation	236,418	172,692
Professional fees	618,693	445,574
Computer processing	381,368	388,980
General and administrative	1,086,189	952,687
Other	34,175	233,335
Total expenses	9,750,960	9,396,692
Income Before Income Taxes	3,523,354	4,983,140
Provision for Income Taxes	993,028	1,142,799
Net Income	2,530,326	3,840,341
Other Comprehensive Loss		
Unrealized depreciation on available-for-sale debt securities, net of taxes of ($193,814) in 2022 and ($74,321) in 2021	(486,238)	(186,456)
Comprehensive Income	$ 2,044,088	$ 3,653,885

See Notes to Financial Statements

TI-Trust, Inc.

Statements of Changes in Stockholders' Equity

Years Ended December 31, 2022 and 2021

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2021	$ 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
Net income	-	-	2,530,326	-	-	2,530,326
Dividends paid ($0.60 per share)	-	-	(1,703,876)	-	-	(1,703,876)
Contribution of treasury stock to ESOP - 14,000 shares	-	8,120	-	-	84,000	92,120
Other comprehensive loss	-	-	-	(486,238)	-	(486,238)
Balance, December 31, 2022	$ 30,898	$ 3,477,222	$ 11,623,595	$ (445,903)	$ (1,415,904)	$ 13,269,908

See Notes to Financial Statements

TI-Trust, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Net income	$ 2,530,326	$ 3,840,341
Items not requiring cash		
Depreciation on property and equipment	236,418	172,692
Amortization on debt securities, net of accretion	27,515	30,181
(Gain) loss on asset disposal	(6,500)	91,768
Unrealized losses on equity securities	256,530	43,833
Noncash operating lease expense	189,869	-
Gain from forgiveness of Paycheck Protection Program loan	-	(925,000)
Changes in		
Fee income receivable, net	(82,906)	(25,819)
Interest receivable	(3,545)	2,191
Other assets	(51,288)	(249,555)
Deferred tax asset and liability	(78,356)	181,682
Deferred fee income	(241,555)	233,950
Payroll and benefits accrued expenses	(20,831)	168,858
Operating lease liability	(184,922)	-
Accounts payable and other accrued expenses	30,462	(75,701)
Net cash provided by operating activities	2,601,217	3,489,421
Investing Activities		
Net change in interest-bearing time deposits	(378,000)	(250,000)
Proceeds from sale of premises and equipment	6,500	-
Purchases of property and equipment	(141,012)	(525,978)
Purchases of available-for-sale debt securities	(1,509,041)	(2,168,149)
Purchases of equity securities	-	(2,600,304)
Proceeds from maturities or calls on available-for-sale debt securities	1,050,000	1,000,000
Net cash used in investing activities	(971,553)	(4,544,431)
Financing Activities		
Dividends paid	(1,703,876)	(185,385)
Purchase of treasury stock	-	(1,499,904)
Contribution of treasury stock to ESOP	92,120	-
Net cash used in financing activities	(1,611,756)	(1,685,289)
Increase (Decrease) in Cash and Cash Equivalents	17,908	(2,740,299)
Cash and Cash Equivalents, Beginning of Year	1,861,318	4,601,617
Cash and Cash Equivalents, End of Year	$ 1,879,226	$ 1,861,318
Supplemental Cash Flows Information		
Income taxes paid	$ 534,665	$ 917,640

See Notes to Financial Statements

TI-Trust, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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 $16,823,691,841 and $14,895,523,057 as of December 31, 2022 and 2021, 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, 2022, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit. At December 31, 2022, the Company's cash accounts exceeded federally insured limits by approximately $1,384,000.

Interest-Bearing Time Deposits

Interest-bearing time deposits in banks mature within 72 months and are carried at cost, which approximates fair value.

TI-Trust, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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 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 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. The provision for doubtful accounts charged for the years ended December 31, 2022 or 2021 was immaterial.

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, 2022 and 2021

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.

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.

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%; 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% 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.

TI-Trust, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Comprehensive Income

Comprehensive income consists of net income and other comprehensive loss, net of applicable income taxes. Other comprehensive loss includes unrealized 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 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, 2022 and 2021, 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.

TI-Trust, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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.

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, 2022				
U.S. government-sponsored enterprises (GSEs)	$ 8,598,222	$ -	$ (623,724)	$ 7,974,498
State and political subdivisions	50,000	85	-	50,085
Total	$ 8,648,222	$ 85	$ (623,724)	$ 8,024,583
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

The amortized cost and fair value of available-for-sale debt securities at December 31, 2022, 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, 2022	Amortized Cost	Fair Value
Within one year	$ 801,565	$ 780,321
One to five years	6,775,874	6,261,250
Five to 10 years	1,070,783	983,012
Total	$ 8,648,222	$ 8,024,583

The fair value of securities pledged as collateral to various state regulatory agencies for trust operations was $1,906,515 and $2,082,007 at December 31, 2022 and 2021, respectively.

TI-Trust, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021:

	December 31, 2022					
	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)	$ 4,635,727	$ (194,206)	$ 3,338,771	$ (429,518)	$ 7,974,498	$ (623,724)
Total temporarily impaired securities	$ 4,635,727	$ (194,206)	$ 3,338,771	$ (429,518)	$ 7,974,498	$ (623,724)

	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)

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, 2022.

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Note 3: Property and Equipment

Major classifications of property and equipment, stated at cost as of December 31, 2022 and 2021, are as follows:

	2022	2021
Land	$ 98,470	$ 98,470
Building and improvements	1,609,648	1,592,798
Furniture and equipment	1,828,251	1,872,889
Construction in process	72,805	-
Total cost	3,609,174	3,564,157
Less accumulated depreciation	1,972,255	1,831,832
Net property and equipment	$ 1,636,919	$ 1,732,325

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: Leases

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Company adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Company elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Company has lease agreements with

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nonlease components that relate to the lease components. The Company elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Company elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Company elected the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of an operating lease ROU asset and an operating lease liability of approximately $897,000. The standard did not significantly affect the Statements of Income and Comprehensive Income or Cash Flows.

Accounting Policies

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the Balance Sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date.

The Company combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Company has elected not to record leases with an initial term of 12 months or less on the Balance Sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Company has entered into the following lease arrangements:

Operating Leases

The Company maintains four operating leases. The Company leases office space for an additional location in Quincy, Illinois. There are two leases associated with this location that expire in 2026, one has annual renewal options for four years, the other is a three year original term with two annual renewal options at the end of the original lease term. The lease agreement does not require the Company to pay all executory costs (property taxes, maintenance, and insurance). Lease payments have an escalating fee schedule, which range from a 1% to 2% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

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The Company also maintains a location in St. Peters, Missouri. The lease expires in 2028, with a three year renewal period option in 2025. The lease agreement does not require the Company to pay all executory costs (property taxes, maintenance, and insurance). Lease payments are consistent until the 2025 renewal period, in which there is a 5% increase for the remaining three year term until the lease expires in 2028. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

The Company also maintains a location in Oak Brook, Illinois. The lease associated with this location expires in 2026. The lease agreement does not require the Company to pay all executory costs (property taxes, maintenance, and insurance). Lease payments escalate 2% annually. There is no extension or renewal period. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Company has no related-party leases.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

Cash paid during 2022 for amounts included in the measurement of the lease liability associated with the operating lease was approximately $196,000. Operating lease costs were approximately $11,000 for 2022. Weight-average remaining lease term of operating lease liabilities was 3.75 years and weight-average discount rate of operating lease liabilities was 1.37%.

Future minimum lease payments and reconciliation to the balance sheet at December 31, 2022, are as follows:

Years Ending December 31,		
2023	$	198,383
2024		201,444
2025		204,868
2026		89,378
2027		38,785
Total future undiscounted lease payment		732,858
Less interest		21,780
Total lease liabilities	$	711,078

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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, 2022 and 2021:

	2022	2021
Taxes currently payable	$ 1,071,384	$ 961,117
Deferred income taxes	(78,356)	181,682
Income tax expense	$ 993,028	$ 1,142,799

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense as of December 31, 2022 and 2021, is shown below:

	2022	2021
Computed at the statutory rate (21%)	$ 739,904	$ 1,065,258
Increase (decrease) resulting from		
Non-deductible expenses	1,236	1,168
State income taxes	252,396	270,043
Other	(508)	580
PPP loan forgiveness	-	(194,250)
Actual tax expense	$ 993,028	$ 1,142,799

The tax effects of temporary differences related to deferred taxes shown on the balance sheet was as follows as of December 31, 2022 and 2021. As of December 31, 2022, net deferred tax asset is recorded within other assets on the balance sheet. As of December 31, 2021, deferred tax liability is recorded within accounts payable and other accrued expenses on the balance sheet.

	2022	2021
Deferred tax assets		
Payroll and benefits accrued expenses	$ 69,000	$ 20,074
Unrealized losses on equity securities	86,000	12,000
Unrealized losses on available-for-sale debt securities	177,737	-
Right of use liability	203,000	-
Other	4,000	-
Deferred tax asset	539,737	32,074

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	2022	2021
Deferred tax liability		
Prepaid expenses	$ (120,000)	$ (92,000)
Depreciation	(147,000)	(190,000)
Right of use asset	(201,000)	-
Unrealized gains on available-for-sale debt securities	-	(16,077)
Other	-	(10,356)
Deferred tax liability	(468,000)	(308,433)
Net deferred tax asset (liability)	$ 71,737	$ (276,359)

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, 2022 and 2021.

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's pledged securities were below the minimum $2,000,000 requirement due to a decline in market value of the pledged securities as of December 31, 2022. Subsequent to year-end, the Company pledged additional funds in order to meet the $2,000,000 requirement.

Other states may also require a capital requirement in order to do business in the state. As of December 31, 2022, these requirements totaled $100,000. The Company's pledged securities were below the $100,000 requirement due to a decline in market value of the pledged securities as of December 31, 2022. Subsequent to year-end, the Company pledged additional funds in order to meet the $100,000 requirement.

Note 8: Employee Benefits

The Company has a 401(k) profit-sharing plan, Employee Stock Ownership Plan (ESOP), and an 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

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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% 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% of employee gross wages for the years ended December 31, 2022 and 2021, respectively. Employees are 100% 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. The financial statements include expense related to the 401(k) plan of $316,807 and $306,304 for the years ended December 31, 2022 and 2021, respectively.

Effective January 1, 2022, the Company formed an ESOP. This new Company-sponsored ESOP covers substantially all employees of the Company. The Plan held 14,000 shares of the Company's common stock at December 31, 2022. This represents 0.49% of outstanding shares at December 31, 2022. Any contributions to the ESOP are at the discretion of the board of directors. In order to participate in the Plan and receive a contribution and/or allocation, the participant must be employed for 1,000 hours during the Plan year and be employed on the last day of the Plan year. During 2022, the Plan received 14,000 shares from treasury stock of the Company, resulting in a contribution and related expense of $92,120. ESOP shares were contributed on December 31, 2022 at the latest value of $6.58 per share. Upon a beneficiary's termination or retirement, the Company will be obligated to repurchase the beneficiary's shares allocated to the ESOP.

Under the incentive compensation plan, established funds are distributed to certain employees based on their performance. The financial statements include expense related to the incentive compensation plan of $368,828 and $363,734 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021:

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, 2022.

		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, 2022				
Assets				
Available-for-sale debt securities				
U.S. GSEs	$ 7,974,498	$ 1,275,040	$ 6,699,458	$ -
State and political subdivisions	$ 50,085	$ -	$ 50,085	$ -
Equity securities	$ 2,299,941	$ 2,299,941	$ -	$ -
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	$ -	$ -

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.

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

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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 periods ending December 31, 2022 and 2021, totaled $256,530 and $43,833, respectively, 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, 2022 and 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 $750,000 and $583,000 during 2022 and 2021, respectively. The amount of actual losses incurred could differ materially from estimates reflected in salaries and employee benefits expense in these financial statements.

Note 11: Subsequent Events

Subsequent events have been evaluated through March 8, 2023 which is the date the financial statements were available to be issued.

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