

AMERICAN SAVINGS LIFE INSURANCE COMPANY



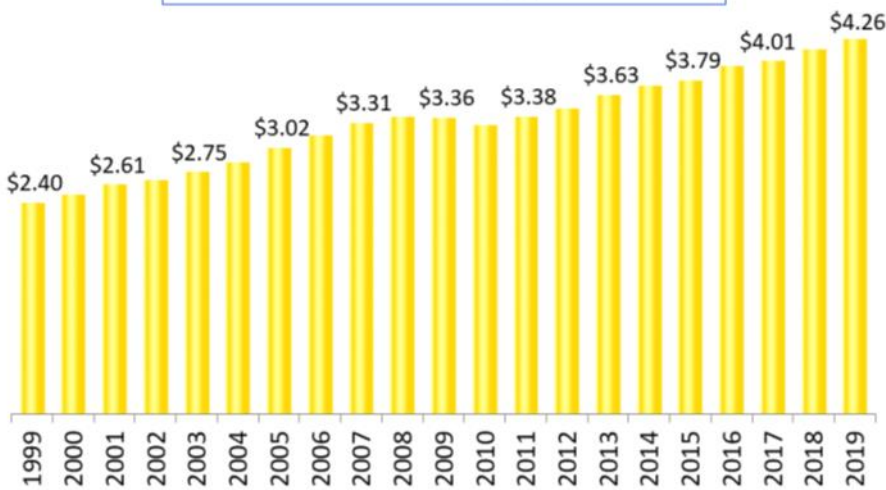
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Annual
Report

Our 65th Year

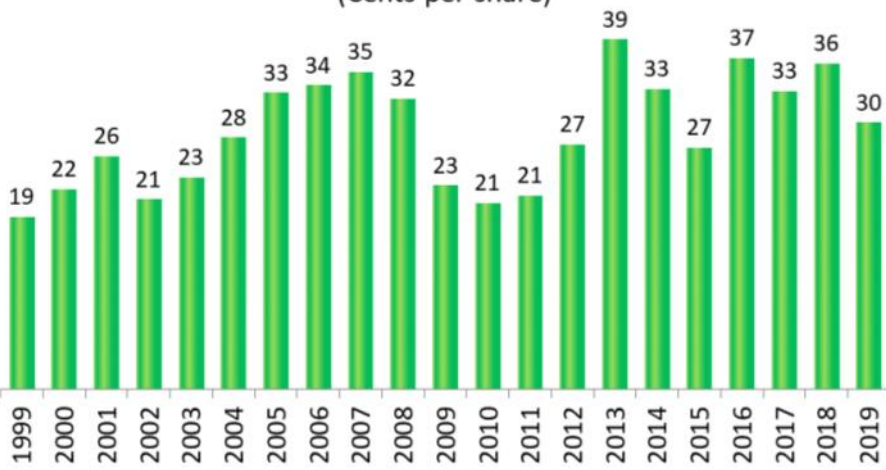
20-Year PERFORMANCE

Stockholders Equity per Share



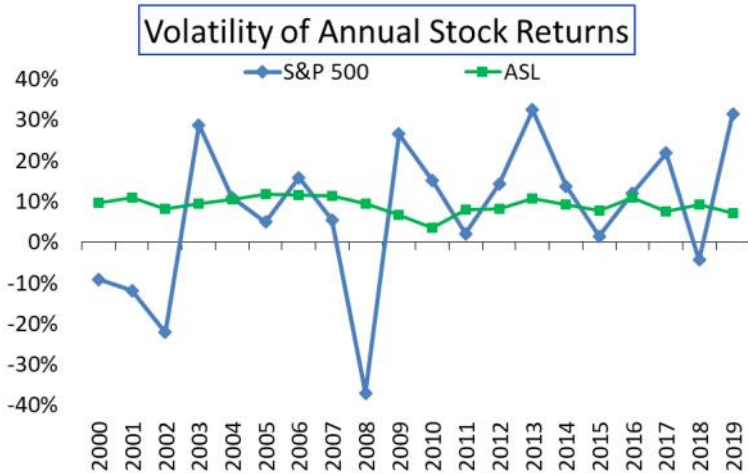
Annual Net Income per Share

(Cents per share)



THE LONG GAME

The Only One That Counts



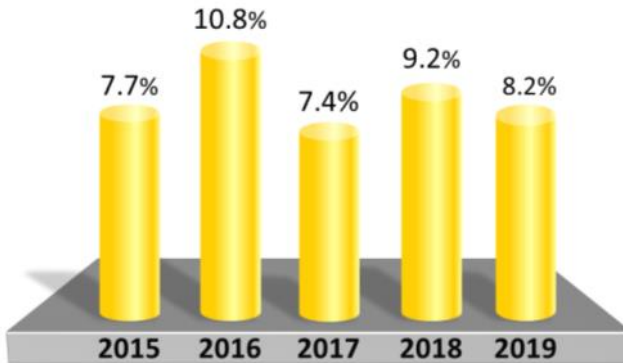
As the above chart illustrates, over the last two decades ASL's stock performance has not included years of negative returns as compared to the stock market (S&P 500 Index). This allows greater compounding returns for ASL's stock, as the chart below reflects. **Over the last 20 years, ASL's stock has increased 463% vs. 220% for the S&P 500.** (Compound interest assumes reinvestment of dividends.)



Historical performance is no guarantee of future results and is not intended to forecast future performance. The same analysis performed over different time periods will produce different results.

5-Year FINANCIAL HIGHLIGHTS

Total Shareholder Return



2019 Total
Shareholder
Return
8.2%

*Dividends + Incr. in
Book Value per share*

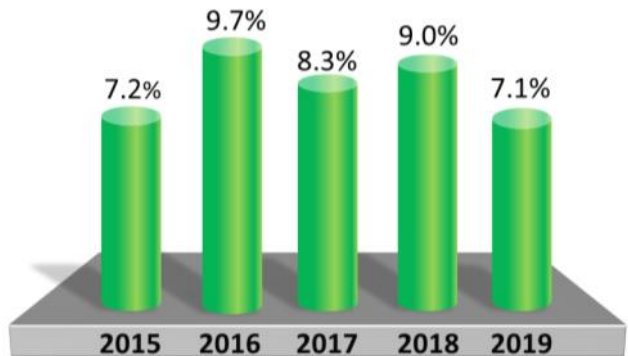
*Beginning of Year
Book Value per share*

Return On Equity

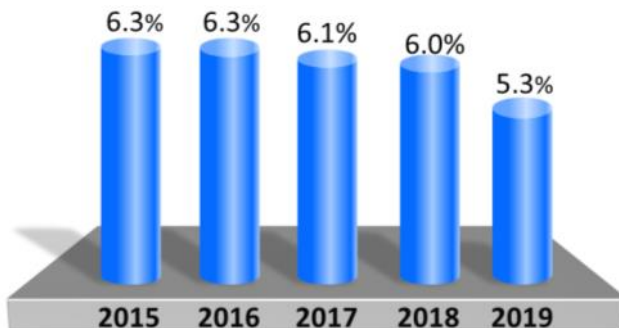
2019
Return On
Equity
7.1%

Net Income per share

*Beginning of Year
Book Value per share*



Dividend Yield



2019
Dividend
Yield
5.3%

Dividends per share

*Beginning of Year
Book Value per share*

Dear Fellow **SHAREHOLDERS,**

March 13, 2020

Dear Fellow Shareholders,

The year 2019 was the Company's 13th quinquennial (every 5 years) celebration of when Frihoff Allen founded American Savings Life Insurance Company on April 6, 1954. This wonderful company he started has blessed countless lives over these many years. It truly is an honor and a trusted responsibility to further the life's work of both my grandfather, Frihoff Allen, and that of my father, David K. Allen, who is retiring from the Board of Directors this year after over 55 years of dedicated service to the Company. Both of these men leave legacies that have provided incalculable value to all those associated with the Company these past 65 years.

Unfortunately, however, the celebration of our 65th anniversary is at present overshadowed by the coronavirus (COVID-19) pandemic that is building momentum as it spreads throughout the world. As I write this letter the world around us seems to be getting crazier and scarier by the day. Although the ultimate impact it will have on the world population and the world economy is unknown, it is sure to be serious. I hope and pray that none of our shareholders, policyholders, customers, employees, agents, or brokers become seriously ill from this virus.

Because we recognize the potential risks related to this pandemic, our staff is preparing in every way we can to be able to continue operating the business effectively under any situation that may develop. As we take measures to minimize the spreading of germs in the office, we are simultaneously preparing for the possibility of our staff needing to work from home if necessary to protect the safety of our staff and our customers, which is of paramount priority.

Your Stock's Performance and Dividends

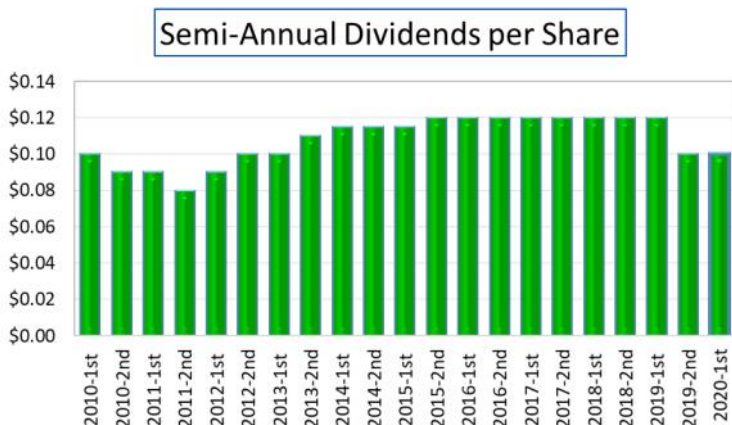
Now, back to the purpose of this letter: to report on 2019's performance. The bottom line performance was: Net Taxable Income was down 9% and After Tax Net Income was down 19%. Return On Equity decreased from 8.99% to 7.12%, and Total Shareholder Return decreased from 9.22% to 8.21%.

Perhaps most noticeable to our shareholders was the decrease in the second semi-annual dividend from 12¢ to 10¢ per share. This



lowered the annual dividend 8% from 24¢ to 22¢ per share. The Board of Directors lowered the October dividend in response to the year's lower earnings. Since our earnings thus far in 2020 have not yet improved beyond 2019's level, the Board decided to leave the April dividend at 10¢ per share.

Therefore, the first semi-annual 2020 dividend will be 10¢ per share, to be paid on April 10, 2020. The Board intends to declare a second semi-annual dividend in August, to be paid in October. 2020 will be the 38th consecutive year that we have paid cash dividends.



Significant Contributors to 2019's Results

As always, there are various positive results and negative results that

together bring about our overall performance. The most significant contributors included:

- Our average mortgage loan portfolio increased 13%, from \$39,700,000 in 2018 to \$44,800,000 in 2019. This generated an additional \$256,000 of mortgage loan interest income.
- This increase in our mortgage loan portfolio mostly came from the growth in annuities and deposit funds, which averaged \$43,100,000 during 2019, compared to \$39,800,000 during 2018. The resulting \$110,000 increase in interest expense on annuities and deposit funds was in large part the cost of capital for these additional mortgages.
- We were successful in selling off more of our real estate owned (REO) properties, which provided an additional \$1,700,000 on average in cash throughout 2019. This also helped reduce the net investment loss from REO's by \$68,000 in 2019.
- An additional cost of our growth was an 8% (\$115,000) increase in new employee salaries, benefits, and professional fees.
- Although mortgage loan interest income increased by \$256,000, the fee income we earn from making new loans was down \$102,000 in 2019. This was because our annual loan originations were \$3,500,000 less in 2019. Other mortgage loan fee income was down another \$55,000 and our underwriting and advertising expenses were up \$48,000.
- Finally, our Federal income tax expense was \$173,000 higher than 2018. This is because the tax credit we received from the elimination of the Alternative Minimum Tax offset all taxes owed in 2018, but only \$147,000 was left to apply toward 2019's taxes. In 2020 we will begin paying essentially the full corporate tax rate of 21%.

Building on our Firm Foundation of 65 Years

The Company's first 65 years have provided valuable life insurance coverage and real estate loans to thousands of customers and delivered substantial value to our many shareholders. It now provides a firm financial foundation for the Company's future growth and development.

We look forward to continuing the Company's long tradition of creating attractive and dependable shareholder returns while continuing our prudent growth in diversified life insurance, annuity, and real estate lending solutions.

Our overarching objective in our growth is to improve the value we provide to all of our stakeholders and to expand the number of stakeholders our Company benefits.

- We aim to provide better retirement income and life insurance benefits to more retirees and their families.
- We aim to provide our unique *Not So Hard Money*TM real estate loans to more business owners or real estate investors.
- We aim to provide increased opportunities for growth and success for our employees, brokers, and agents.
- As we succeed in achieving the above objectives, they will lead us to our ultimate aim of increasing returns to our shareholders.

Looking Ahead to 2020 and Beyond

Despite the current situation with the coronavirus COVID-19 pandemic and any short-term effects it may have on our performance, we are quite confident about our Company's long-term future. There will assuredly be near-term challenges ahead, but our investment model graphically described on pages 12-13 has proven for many decades to be a successful one. We have a unique and rewarding niche within our industry; one that we are confident will continue to benefit all stakeholders in our Company's success.

We are continuing to further the growth and diversification of our lending business as well as our life insurance and annuity business. We believe as we are successful in these objectives, they will provide greater long-term income while also lowering our risks.

On behalf of the board of directors and the management team, I want to thank you for your trust and support. I am confident we will get through the wake of the current challenges we face with the pandemic, both individually and as a company. Stay safe and healthy and we will together look forward to an even brighter future built on the firm foundation created over the past 65 years.

Sincerely yours,



Byron Frihoff Allen, President



Board of Directors & Advisors

The affairs of the Company are overseen and directed by the elected Board of Directors. The Board also invites well qualified Advisors to assist in leading the Company. The primary purpose of the Board is to ensure the Company is being managed in the best interest of the shareholders through governance policies and oversight of Management..

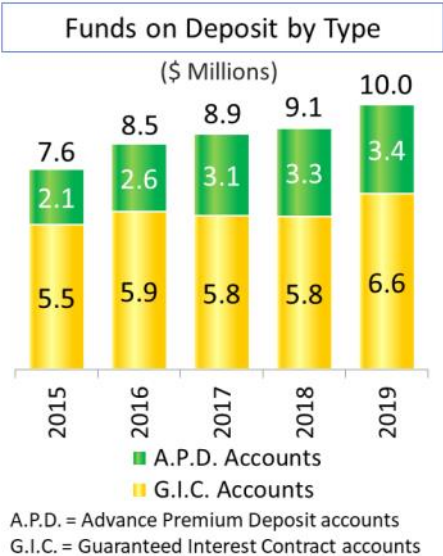
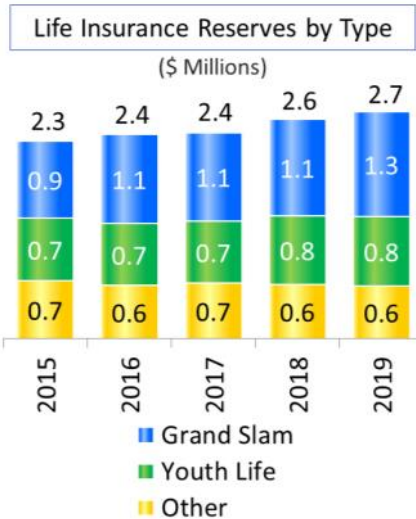
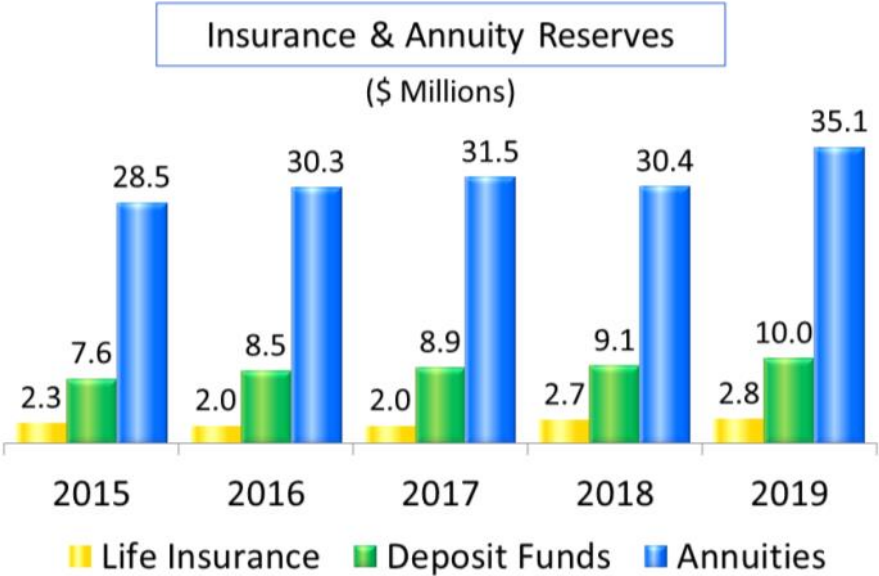


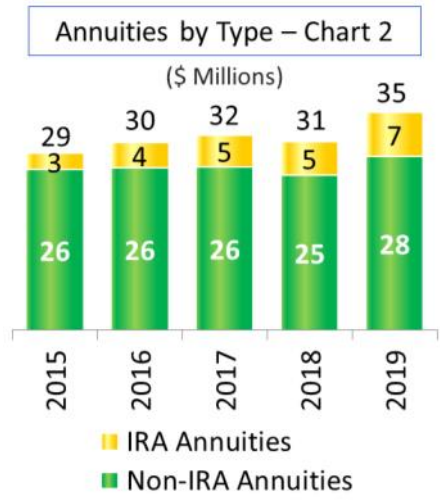
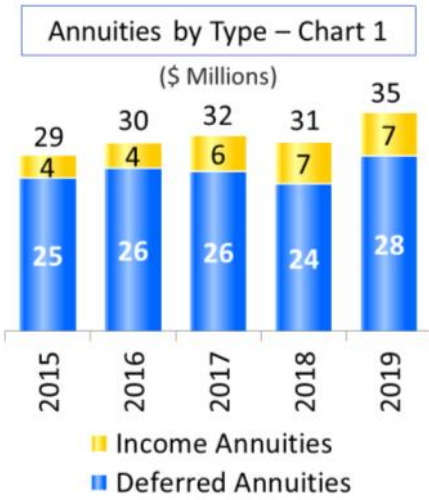
Pictured from left to right (showing year began as Director or Advisor):

Craig A. Cardon, Advisor/Director Nominee (2019); **Tracy C. Allen**, Director (2014); **Heber E. Allen**, Director/Chairman (2009), **David K. Allen**, Retiring Director (1988); **Byron F. Allen**, Director/President (2006); **C. Leroy Breinholt**, Director (2018); **Kurt Tingey**, Director (2012); **Robert E. Allen**, Advisor/V.P. (2012); **Gove L. Allen**, Advisor/ Legal Counsel (1969); Not pictured: **Wayne L. Gardner**, Director (2017)

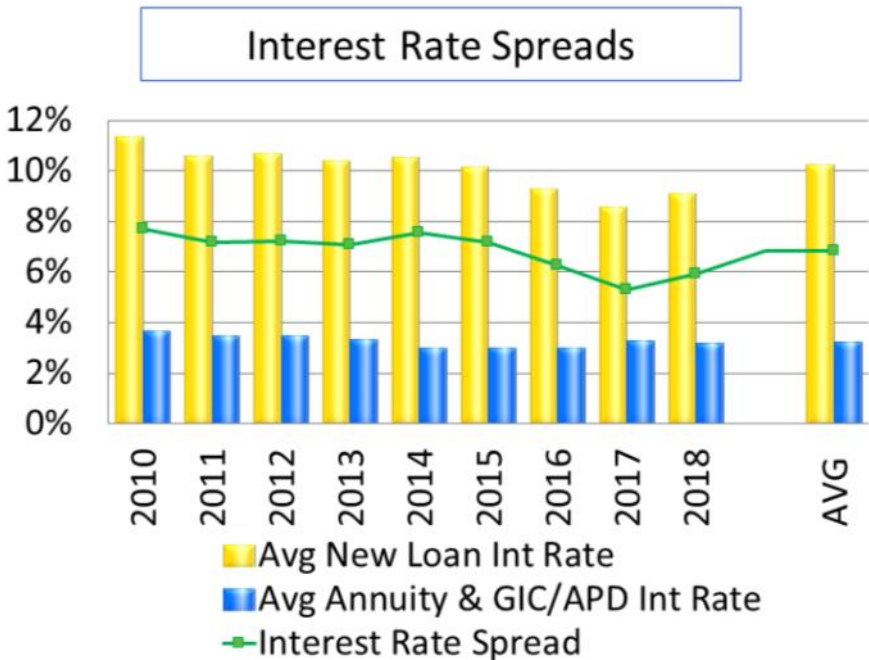
A Graphical Perspective of Our LINES OF BUSINESS

Life Insurance and Annuities



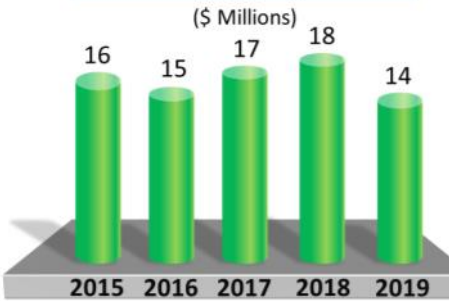


Interest Earnings vs. Interest Expense

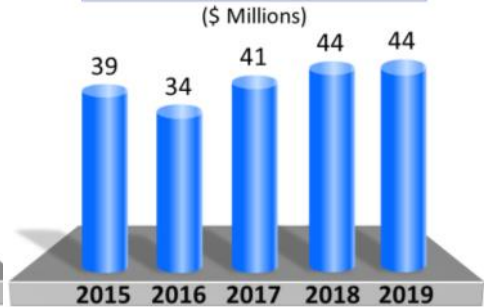


Mortgage Lending

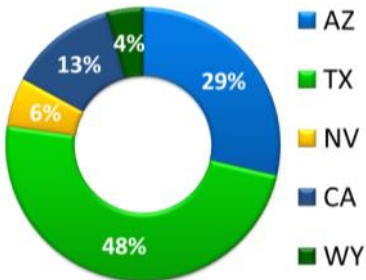
Annual Loan Originations



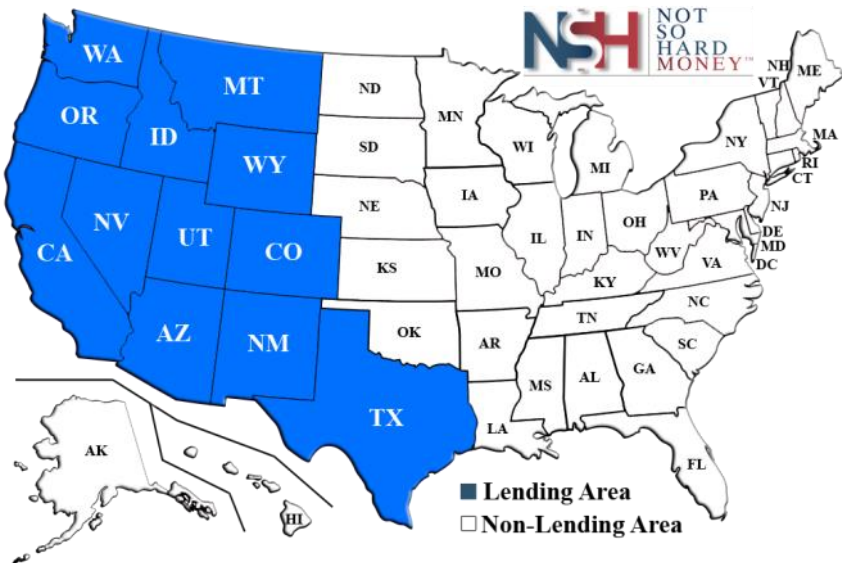
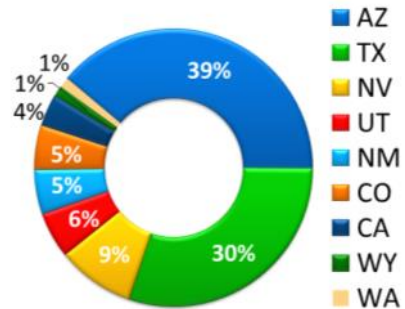
Total Loan Portfolio



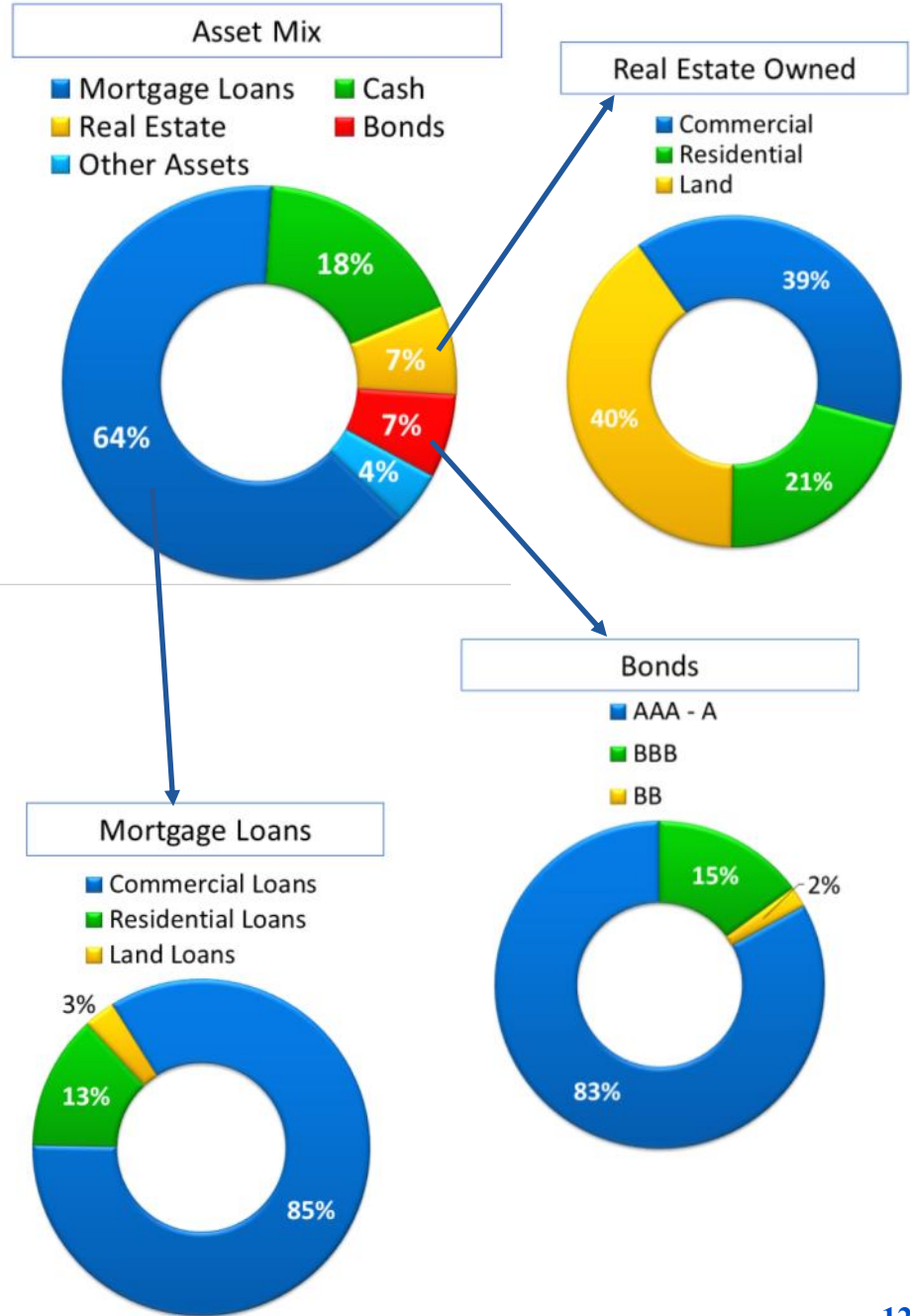
Loans Originated by State in 2019



Total Loan Portfolio by State

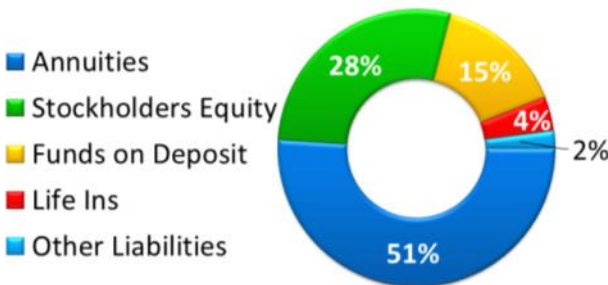


A Graphical Perspective of Our INVESTED ASSETS



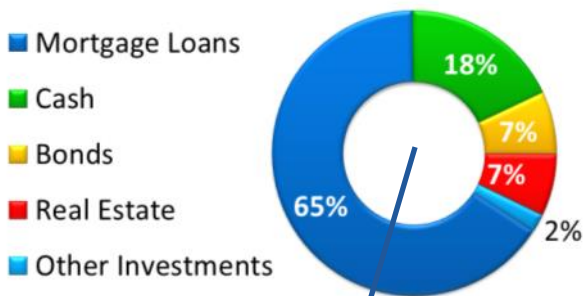
Cost of Capital vs. INVESTMENT YIELDS

Assets by Sources of Capital

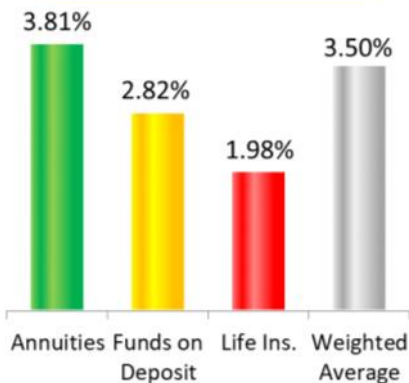


70% of our Assets are Reserves for Policyholders

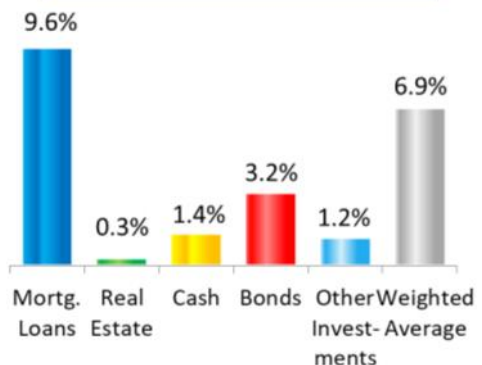
Invested Assets by Type



Avg. Cost of Capital (Policyholder Reserves)



Yields on Investment by Type



Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31:2019, 2018, 2017, 2016 & 2015 (UNAUDITED)

	2019	2018	2017	2016	2015
Statement of Operations Data					
Total Revenues	4,988,510	5,975,460	6,516,213	5,248,331	5,735,130
Total Expenses	3,507,279	4,348,324	4,687,578	3,187,516	4,179,350
Net Taxable Income	1,481,231	1,627,136	1,828,635	2,060,815	1,555,780
Net Income	1,331,516	1,650,422	1,521,325	1,701,812	1,259,722
Statement of Financial Position Data					
Total Assets	68,624,827	62,927,817	62,825,904	60,583,811	57,454,701
Total Reserves for Life Ins, Annuities & Deposits	47,855,379	42,219,819	42,972,890	41,289,410	38,511,402
Total Liabilities	49,378,790	43,970,280	44,291,443	42,201,448	39,615,111
Total Shareholders Equity	19,246,036	18,957,537	18,534,460	18,382,363	17,839,590
Per Share Data					
Total Shares Outstanding	4,513,595	4,574,859	4,617,649	4,642,202	4,707,114
Earnings (Net Income) Per Share (EPS)	0.295	0.361	0.329	0.367	0.268
Dividends Per Share (DPS)	0.220	0.240	0.240	0.240	0.235
Book Value of Equity Per Share (BVPS)	4.264	4.144	4.014	3.960	3.790
Key Performance Measurements					
Dividend Yield <i>(DPS / prior yr. BVPS)</i>	5.31%	5.98%	6.06%	6.33%	6.29%
Investment Yield <i>(net inv. inc. + cap. gains / prior yr. assets)</i>	7.44%	7.35%	7.85%	8.39%	8.43%
Return on Equity <i>(net income / prior yr. BVPS)</i>	7.12%	8.99%	8.32%	9.67%	7.16%
Total Shareholder Return <i>(DPS + BVPS incr. / prior yr. BVPS)</i>	8.21%	9.22%	7.42%	10.82%	7.66%

Consolidated Statement of Operations

FOR THE YEARS ENDED DEC 31: 2019, 2018 & 2017 (UNAUDITED)

REVENUES	2019	2018	2017
Premiums - Life insurance	165,932	161,898	160,261
Premiums - Annuities w/ mortality risk	139,940	1,195,632	1,599,257
Investment income net of expenses			
Cash & cash equivalents	92,404	72,414	86,411
Mortgage loans	4,447,623	4,419,956	4,631,953
Real estate owned	(120,248)	(188,099)	(152,227)
Marketable securities	139,809	133,711	122,917
Other investment income	16,690	20,489	37,212
Realized Capital Gains/(Losses)	106,361	159,460	30,429
Total Net Investment Income	4,682,638	4,617,931	4,756,694
TOTAL REVENUES	4,988,510	5,975,460	6,516,213
EXPENSES			
Policyholder benefits	127,000	123,785	103,192
Increase in life reserves & loading	488,219	1,538,938	1,874,778
Policy acquisition costs	73,553	87,359	73,046
Interest on insurance and annuities	1,150,078	1,039,492	1,098,363
General expenses			
Salaries and wages	1,138,283	1,061,143	1,045,840
Employee Benefits & Taxes	248,528	265,807	263,429
Professional fees	168,037	113,213	120,987
Other expenses	93,766	97,969	79,719
Taxes licenses and fees	19,815	20,619	28,225
TOTAL EXPENSES	3,507,279	4,348,324	4,687,578
NET TAXABLE INCOME	1,481,231	1,627,136	1,828,635
Federal Income Tax	(149,715)	23,286	(307,309)
NET INCOME	1,331,516	1,650,422	1,521,325
Total shares outstanding	4,513,595	4,574,859	4,617,649
Net Income per share	\$ 0.295	\$ 0.361	\$ 0.329
OTHER COMPREHENSIVE INCOME (OCI)			
Unrealized gain/(loss) on common stocks	248,793	0	0
Unrealized gain/(loss) on partnerships	(175,631)	0	0
Federal Income Tax on OCI Items	(15,364)	0	0
OCI, net of tax	57,797	0	0
COMPREHENSIVE INCOME	1,389,313	1,650,422	1,521,325

Consolidated Statement of Financial Position

FOR THE YEARS ENDED DEC 31: 2019, 2018, & 2017 (UNAUDITED)

ASSETS	2019	2018	2017
Cash and cash equivalents	12,150,989	4,617,717	6,591,709
Bond Mutual funds	0	0	2,699,169
Bonds	4,763,976	4,637,981	4,733,878
Common Stocks	1,295,498	1,059,918	1,105,732
Policy loans	110,617	63,010	79,511
Mortgage loans	43,803,381	43,479,155	40,580,656
Investments in partnerships	165,354	484,538	678,763
Real estate investments	4,976,731	7,334,309	5,151,078
TOTAL CASH & INVESTED ASSETS	67,266,545	61,676,629	61,620,495
Accrued interest & deposits	435,985	394,281	471,702
Deferred policy acquisition asset	392,844	315,835	335,715
Land, building & office equipment	234,697	209,457	203,896
Deferred tax asset	294,756	331,615	194,096
TOTAL ASSETS	68,624,827	62,927,817	62,825,904
LIABILITIES			
Reserve for life policies	2,769,118	2,675,854	2,592,828
Reserve for annuities	35,086,940	30,446,273	31,483,234
Funds on deposit (APD/GIC)	9,999,321	9,097,692	8,896,829
Expenses due & accrued and other	281,555	460,720	217,155
Amounts held by ASLIC for others	1,241,857	1,289,741	1,101,399
TOTAL LIABILITIES	49,378,790	43,970,280	44,291,443
SHAREHOLDERS EQUITY			
Capital stock	930,495	929,841	928,961
Capital stock in excess of par	2,700,769	2,674,503	2,640,296
Retained earnings	22,808,061	22,575,259	21,869,583
Other comprehensive income/(loss)	0	(282,607)	(155,571)
Less treasury stock	(7,193,288)	(6,939,460)	(6,748,810)
TOTAL SHAREHOLDERS EQUITY	19,246,036	18,957,537	18,534,460
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	68,624,827	62,927,817	62,825,904
Shares Outstanding	4,513,595	4,574,859	4,617,649
Equity Value Per Share	\$ 4.264	\$ 4.144	\$ 4.014

The Notes on pages 19-30 are an integral part of these financial statements.

Consolidated Statement of Cash Flow

FOR THE YEARS ENDED DEC 31: 2019, 2018, & 2017 (UNAUDITED)

OPERATING ACTIVITIES	2019	2018	2017
<i>Funds provided from operations</i>			
Premiums received and annuity increases	6,524,362	\$2,475,960	\$1,761,716
Net investment income (excl. realized gains)	4,097,505	4,656,580	4,552,455
<i>Total funds provided from operations</i>	10,621,868	7,132,540	6,314,171
<i>Funds used in operations</i>			
Benefits and loss related payments	(3,370,442)	(4,653,359)	(1,989,136)
Commissions & other expenses & taxes paid (excluding federal income taxes)	(1,511,794)	(1,312,702)	(1,419,188)
Dividends paid to policyholders	(50,204)	(46,253)	(42,526)
Federal income taxes paid (excl. capital gains tax)	(53,981)	462	(525,435)
<i>Total funds (used) in operations</i>	(4,986,421)	(6,011,853)	(3,976,285)
<i>Net cash provided from operations</i>	5,635,447	1,120,687	2,337,886
INVESTING ACTIVITIES			
<i>Funds provided from investments sold, matured or repaid</i>			
Bonds	436,449	1,549,548	697,639
Stocks	389,822	2,755,837	3,546,722
Mortgage Loans	12,374,058	11,874,169	12,255,972
Real Estate	3,852,756	1,913,326	537,181
Other invested assets	143,553	73,128	377,033
<i>Total investment proceeds before capital gains tax</i>	17,196,638	18,166,008	17,414,547
<i>Cost of investments acquired</i>			
Bonds, Mutual Funds & long term CD's	(633,106)	(1,535,188)	(2,725,764)
Stocks	(376,609)	(90,207)	(921,057)
Mortgage Loans	(13,878,700)	(18,397,217)	(18,333,880)
Real Estate and other invested assets	(152,196)	0	(146,376)
<i>Total cost of investments acquired</i>	(15,040,610)	(20,022,611)	(22,127,077)
(Increase) Decrease in policy loans	(47,607)	16,501	(5,794)
<i>Net cash provided by investment activities</i>	2,108,421	(1,840,102)	(4,718,324)
FINANCING ACTIVITIES			
<i>Funds provided from (used for) financing activities</i>			
Capital and paid in surplus net of treasury stock	(226,909)	(155,563)	(84,638)
Net deposits on deposit-type contracts	1,075,185	(147,533)	659,105
Cash dividends paid	(999,476)	(1,103,594)	(1,110,011)
Other cash provided (applied)	(12,343)	152,113	445,583
<i>Net cash from (used for) financing activities</i>	(163,543)	(1,254,578)	(89,962)
Increase (Decr.) in cash & short-term investments	7,580,324	(1,973,992)	(2,470,400)
Cash & short-term investments, beg. of year	4,596,080	6,591,709	9,062,109
Cash & short-term investments, end of year	12,176,404	4,617,717	6,591,709

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED
DEC 31: 2019 AND 2018 (UNAUDITED)

	Capital Stock	Capital In Excess of Par	Accumulated Other Com- prehensive Income (Loss)	Unassigned Surplus	Treasury Stock	Total
BALANCES, December 31, 2017	928,961	2,640,296	(155,571)	21,869,583	(6,748,810)	18,534,460
COMPREHENSIVE INCOME:						
Net Income				1,650,422		1,650,422
Change in unrealized investment gain/(loss)			(127,036)			(127,036)
Comprehensive income			(127,036)	1,650,422		1,523,387
Dividends declared & accrued				(1,103,594)		(1,103,594)
Issue employee compensation in stock	881	34,207				35,087
Repurchase Capital Stock (Treasury)					(190,651)	(190,651)
Change in Nonadmitted Assets				158,848		158,848
BALANCES, December 31, 2018	929,841	2,674,503	(282,607)	22,575,259	(6,939,460)	18,957,537
COMPREHENSIVE INCOME:						
Net Income				1,331,516		1,331,516
Change in unrealized investment gain/(loss)			282,607			282,607
Comprehensive income			282,607	1,331,516		1,614,122
Dividends declared & accrued				(999,476)		(999,476)
Issue employee compensation in stock	653	26,266				26,919
Repurchase Capital Stock (Treasury)					(253,828)	(253,828)
Change in Nonadmitted Assets				(99,238)		(99,238)
BALANCES, December 31, 2019	930,495	2,700,769	0	22,808,061	(7,193,288)	19,246,036

The Notes on pages 19-30 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(1) ORGANIZATION

American Savings Life Insurance Company (“Company”), founded in 1954, is a registered capital stock life, health and accident insurance company licensed to conduct business in the states of Arizona and Utah. The Company is currently engaged in the life insurance and annuity business. Although it is customary in the insurance industry for a portion of income to be derived from mortgage loans, a large percentage of the Company’s income is attributed to mortgage loans. Since the Company’s inception, mortgage loans have been its primary asset class.

Subsidiaries - American Savings Life Insurance Company owns 100% of ASL Financial Group, Inc., a holding company which owns 100% of American Life Financial Corporation, a licensed Arizona mortgage banker. American Life Financial exists primarily to market and originate mortgage loans for the Company’s investment portfolio.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments - The following Company investments are recorded in accordance with FASB Accounting Standards Codification Topic 944, Financial Services—Insurance:

Bonds are stated at amortized cost, since they are expected to be held until maturity.

Common stock and mutual funds are reported at market and temporary changes in the market value of those securities are recognized as an unrealized gain (loss).

Policy loans are reported at their outstanding principal balance.

Mortgage loans are reported at outstanding principal balance or amortized cost.

Receivables secured by real estate are reported at their outstanding principal balance, less deferred gains, which are recognized under the installment method.

Real estate investments are reported at lower of cost or fair market value with the related charge to realized loss if applicable.

Investment gains (losses) are determined on a specific identification basis. Realized gains (losses) are credited (charged) to operations; unrealized gains (losses) are credited (charged) to Other Comprehensive Income (Loss) (OCI).

Cash and cash equivalents - The company considers all highly liquid investments with a maturity of one year or less at the time of reporting to be cash equivalents.

Restricted Securities - In accordance with the State of Arizona Insurance Regulations, Arizona municipal bonds were on deposit with the Arizona State Treasurer with an aggregate value of \$516,428 at year end 2019 and \$535,226 at year end 2018.

Policy Claims Pending - The liability for policy claims is based on the estimated cost of individual claims reported plus estimated claims incurred but unreported prior to December 31, 2018 and December 31, 2017, respectively.

Reinsurance - The Company had no agreements with nonaffiliated reinsurers or

reinsured policies during the period covered by this report.

Annuity policies - **Deferred annuities and fixed-period immediate annuities** are accounted for in a manner consistent with accounting for interest bearing financial instruments. These annuity premium receipts are not reported as revenue, rather as deposit liabilities for annuity contracts. **Immediate annuities that contain mortality risk** are accounted for in a manner consistent with insurance contracts. These annuity premium receipts are reported as revenue when received from the policy holder. The annuities issued do not include fees or other such charges.

Estimates - The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, thus affecting amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards Adopted in 2019 - ASU No. 2016-01: "Financial Instruments – Overall (Topic 825-10)" – Issued in January 2016, ASU 2016-01 changes the accounting for equity investments that are not accounted for under the equity method of accounting by requiring changes in fair value to be recognized in net income. The Company adopted this standard on January 1, 2019 using the modified retrospective approach with the cumulative effect of the adoption made to the balance sheet as of the date of adoption. Thus, the adoption resulted in a reclassification of the related accumulated net unrealized gains of \$68,151 included in accumulated other comprehensive income as of December 31, 2018 to retained earnings. Under previous guidance, changes in fair value for investments of this nature were recognized in accumulated other comprehensive income as a component of stockholders' equity.

(3) CASH AND INVESTMENTS

Cash and Cash Equivalents: The Company has maintained various accounts at several banks with amounts not exceeding \$250,000. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Total cash in demand deposits exceeding FDIC insurance limits were \$249,772 and \$290,842 at December 31, 2019 and 2018, respectively. The money market funds utilized by the Company invest in short-term U.S. government and agency securities.

Bond Mutual Funds consist of Vanguard funds which invest in investment grade bonds with short-term maturities typically ranging from one to five years. These funds offer a low-cost, diversified approach to bond investing, providing broad exposure to corporate bonds, pooled consumer loans, and U.S. government bonds. Although short-term bond funds tend to have a higher yield than money market funds, the tradeoff has been that share price fluctuates. As a result of increases in interest rates, which caused the prices of the bonds in the portfolio to decrease and thus the fund's share price to decrease, **we liquidated our bond mutual funds in 2018.**

Bonds: In 2017, the Company invested in Government National Mortgage Association (GNMA or Ginnie Mae) bonds. GNMA guarantees principal and interest on mortgage-backed securities (MBS) backed by loans insured by the Federal Housing Administration and the Department of Veterans Affairs. GNMA securities,

Notes to the Consolidated Financial Statements

like U.S. Treasuries, are guaranteed and backed by the full faith and credit of the U.S. government and generally are considered to be of the highest credit quality.

Bonds consist of the following:

	December 31, 2019	2018
GNMA bonds	\$ 1,686,647	\$ 1,554,425
Municipal bonds	516,428	535,226
Corporate bonds	2,560,901	2,548,330
Total bonds	\$ 4,763,976	\$ 4,637,981

The amortized cost of bonds as of December 31, 2019 and 2018, by investment grade are as follows:

	2019		2018	
	Amortized Cost	% of Total	Amortized Cost	% of Total
Bonds:				
AAA to A	\$ 3,946,524	83%	\$ 3,809,559	82%
BBB	720,613	15%	730,421	16%
BB	96,839	2%	95,984	2%
B	0	0%	2,017	0%
Total bonds	\$ 4,763,976	100%	\$ 4,637,981	100%

Common Stock: The distribution of unrealized gains and losses on common stock as of December 31, 2019 and 2018, by investment strategy are as follows:

	2019		
	Cost	Unrealized Gain/(Loss)	Fair Value
Common stocks:			
Dividend stocks strategy	\$ 225,940	\$ 71,924	\$ 297,864
Growth stocks strategy	484,848	152,636	637,484
Non-US stocks mutual fund	0	0	0
Berkshire Hathaway	256,685	82,905	339,590
Other	20,075	485	20,560
Total common stocks	\$ 987,548	\$ 307,950	\$ 1,295,498

	2018		
	Cost	Unrealized Gain/(Loss)	Fair Value
Common stocks:			
Dividend stocks strategy	\$ 219,957	\$ 20,834	\$ 240,791
Growth stocks strategy	245,580	27,218	272,798
Non-US stocks mutual fund	249,337	-27,403	221,934
Berkshire Hathaway	256,685	49,315	306,000
Other	20,209	-1,814	18,395
Total common stocks	\$ 991,768	\$ 68,150	\$ 1,059,918

Mortgage Loans consist of commercial, consumer and purchase money loans collateralized by real estate. The Company's lending policies allow for loans up to 65% of appraised values at interest rates ranging from 6.99% or more and terms ranging from one to 15 years. The weighted average lending rates for mortgage loans during 2019 and 2018 were 9.15% and were 8.96%, respectively. At De-

Notes to the Consolidated Financial Statements

cember 31 2019 and 2018, the distribution of the mortgage loan portfolio by property type and state are as follows:

Property type	2019		2018	
	Amount	% of Total	Amount	% of Total
Commercial	\$ 37,014,283	85%	\$ 36,076,078	83%
Residential	5,546,563	13%	6,615,068	15%
Land	1,242,535	3%	934,415	2%
Total mortgage loans	\$ 43,803,381	100%	\$ 43,625,561	100%
Valuation allowance	0		-146,406	
Total net mortgage loans	\$ 43,803,381		\$ 43,479,155	

State	2019		2018	
	Amount	% of Total	Amount	% of Total
Arizona	\$ 17,079,750	39%	\$ 19,366,142	44%
Texas	13,200,064	30%	13,697,031	31%
Nevada	3,937,338	9%	3,585,457	8%
Utah	2,355,326	5%	2,382,924	5%
New Mexico	2,277,256	5%	788,208	2%
Colorado	2,261,684	5%	2,280,799	5%
California	1,616,977	4%	0	0%
Wyoming	550,000	1%	1,000,000	2%
Washington	524,987	1%	525,000	1%
Total mortgage loans	\$ 43,803,381	100%	\$ 43,625,561	100%
Valuation allowance	0		-146,406	
Total net mortgage loans	\$ 43,803,381		\$ 43,479,155	

The Company establishes a specific valuation allowance when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under a given mortgage loan. The specific valuation allowance is comprised of the recorded value of the loan minus the fair market value of the collateral of high risk loans (more than 30 days delinquent). No loans required a specific valuation allowance as of December 31, 2019 and 2018.

In 2019, the Company did away with the high LTV valuation allowance because after analyzing the historical performance of foreclosed mortgage loans, management determined that there was not a correlation between LTV and losses from foreclosure. Furthermore, in aggregate, the Company does not generally lose money on foreclosures. This allowance was \$0 and \$146,406 as of December 31, 2019 and 2018, respectively. Both allowances reduce Mortgage Loans and increase unrealized losses in the Statement of Financial Position.

The following is the composition of the mortgage receivable aging at year-end:

Notes to the Consolidated Financial Statements

	2019		2018	
	Amount	Value of Land and Buildings	Amount	Value of Land and Buildings
Mortgages:				
In good standing	\$ 42,540,721	\$ 111,710,200	\$ 43,259,629	\$ 110,572,200
Greater than 90 days past due	0	0	43,338	120,000
In foreclosure, interest accruing	1,262,660	3,365,000	322,594	990,000
Total mortgage loans	\$ 43,803,381	\$ 115,075,200	\$ 43,625,561	\$ 111,682,200
Valuation allowance	0		-146,406	
Total net mortgage loans	\$ 43,803,381		\$ 43,479,155	

Investments in Partnerships:

The Company holds a 7% interest in Window Rock Residential Recovery Fund, LP and in 2018, disposed of a 13% interest in Sugarloaf VII, LLC. Both investments are mortgage loan joint ventures managed by the Cardon Group. These joint ventures invest in distressed mortgage loans at discounted prices. Investments in partnerships are summarized as follows:

	2019					
	Total Contributed	Distributions		Realized	Unrealized	Book
		Income	Rtn of Cap	Gain/(Loss)	Gain/(Loss)	Value
Window Rock ①	\$ 880,000	24,526	334,664	0	-379,983	165,354

	2018					
	Total Contributed	Distributions		Realized	Unrealized	Book
		Income	Rtn of Cap	Gain/(Loss)	Gain/(Loss)	Value
Sugarloaf ②	\$ 420,000	\$ 136,892	\$ 328,257	\$ -91,743	\$ 0	\$ 0
Window Rock	880,000	24,526	191,111	0	-204,351	484,538
Total	\$ 1,300,000	\$ 161,418	\$ 519,368	\$ -91,743	\$ -204,351	\$ 484,538

- ① Unrealized loss was our prorated share of Window Rock's September, 30, 2019 and 2018 inception-to-date net losses of \$5.1M and \$2.6M, respectively.
- ② In 2018, a realized loss of \$35K was recognized upon dissolution of Sugarloaf.

Real Estate consists of properties acquired in satisfaction of debt and real estate investments (excluding home office property). The following is a summary of real estate investments at year end:

Real estate investments:	December 31,	Amount	Amount
		2019	2018
Number of foreclosures		1	4
Book value of foreclosures		\$ 1,415,641	\$ 3,971,102
Number of properties sold		12	7
Book value of properties sold		\$ 2,086,235	\$ 1,630,664
Net gains/(losses) from sale of real estate		\$ 350,880	\$ 282,662
Write-downs (OTTI) on real estate		\$ 250,100	\$ 18,822

	2019	2018
	Amount	Amount
Real estate investments:		
Property acquired in satisfaction of debt	\$ 3,885,412	\$ 6,242,990
Investments in real estate	1,091,319	1,091,319
Total real estate investments	\$ 4,976,731	\$ 7,334,309

Fair Value Measurement: Investments are disclosed utilizing an established framework for measuring fair value, and an established fair value hierarchy which prioritizes valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels: **Level 1 Investments** use quoted prices in active markets for identical assets the entity has the ability to access. **Level 2 Investments** use inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. **The Company has no Level 2 Investments.** **Level 3 Investments** have no observable value for the assets and rely on Management's own assumptions that market participants would use in pricing the asset. The table below presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2019.

	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019
Investments:				
Level 1 investments:				
Unaffiliated common stock	1,059,918	342,111	-106,532	1,295,498
Certificates of deposit	496,000	496,000	-496,000	496,000
Total Level 1	1,555,918	838,111	-602,532	1,791,498
Level 3 Investments:				
Mortgage loans	43,479,155	13,878,700	-13,554,474	43,803,381
Real estate investments	7,334,309	1,415,641	-3,773,219	4,976,731
Partnership interests	484,538	0	-319,184	165,354
Policy contract loans	63,010	53,531	-5,924	110,617
Total level 3	51,361,012	15,347,871	-17,652,802	49,056,082
Total Investments	\$ 52,916,931	\$ 16,185,983	\$ -18,255,334	\$ 50,847,579
Money market and checking accounts				11,654,989
Bonds carried at amortized cost				4,763,976
Total cash and investments				\$ 67,266,545

Management uses a market approach to determine the fair value of mortgage loans and properties held for sale. Loans are adjusted for changes in the market value of the property collateralized based on local market indices. Property held for sale is adjusted to the most recent independently appraised value. The cost approach is used to determine the fair value of properties occupied by the Company and the policy contract loans.

(4) LAND, BUILDING AND OFFICE EQUIPMENT

The office occupied by the company is located at 935 E. Main Street, Mesa, AZ. The Company acquired the building through a section 1031 property exchange. Since book value of the office occupied by the company was lower than the estimated salvage value at the time of the property exchange, depreciation was not taken on this property. An appraisal for this property was done in February 2019 and it was appraised at a fair market value of \$980,000. The following is a summary of the depreciated book value of our home office land, building and office equipment at year end:

	Balance 12/31/18	Additions	Retirements	Balance 12/31/19
Home office - land	\$ 71,622	\$ 0	\$ 0	\$ 71,622
Home office - building	122,879	31,369	0	154,248
Office equipment	14,956	1,845	-7,974	8,826
Total	\$ 209,457	\$ 33,214	\$ -7,974	\$ 234,696

(5) DEFERRED TAX ASSET (LIABILITY)

The components of the net deferred tax asset / (liability) at December 31, 2019 and 2018 are as follows:

	2019	2018
Gross deferred tax assets	\$ 1,049,580	\$ 675,844
Statutory valuation allowance adjustments	0	-146,845
Adjusted gross deferred tax assets	1,049,580	528,999
Deferred tax assets non-admitted	-272,202	-239,978
Net admitted deferred tax asset	777,378	289,021
Deferred tax liabilities	-499,447	-46,618
Net admitted deferred tax assets / (liabilities)	277,931	242,403
Current income tax recoverable/(payable)	16,825	89,212
Total deferred tax asset	\$ 294,756	\$ 331,615

(6) LIFE INSURANCE POLICIES

Reserve for life policies reflects the liability for aggregate reserve amounts which, with additions from premiums to be received and with interest compounded annually at a level interest assumption of between 2.75% and 5.5%, are calculated to be sufficient to meet policy obligations as they mature. The components of the reserve for life policies by policy type at December 31, 2019 and 2018 are as follows:

Reserve for life policies:	2019	2018
Grand slam policies	\$ 1,250,401	\$ 1,147,889
Youth life policies	822,570	815,754
Other life insurance policies	628,001	646,331
Total reserve for life policies	2,700,973	2,609,974
Policy claims pending	10,000	10,000
Provision for policyholder dividends	52,696	50,298
Premiums received in advance	5,449	5,582
Total net reserve for life policies	\$ 2,769,118	\$ 2,675,854

Participating life insurance policies: The allocation of dividends to participating policy owners is based on actuarial mortality rates with consideration for investment yields (which are subject to periodic review), issue ages, policy durations and premium charges. The mortality rates correspond with rates assumed in the calculation of the premium charges. Participating business comprised approximately 20% of total life insurance in force at December 31, 2019 and 21% at December 31, 2018. Policy dividends are determined annually by the Board.

(7) ANNUITIES

Reserve for Annuities consists of fixed-period immediate, life-contingent immediate, and deferred annuities. The components of the reserve for annuities at December 31, 2019 and 2018 are as follows:

Reserve for annuities	2019	2018
Life-contingent immediate annuities	\$ 4,593,889	\$ 4,659,739
Fixed-period immediate annuities	2,307,751	2,134,194
Deferred annuities	28,185,301	23,652,340
Total reserve for annuities	\$ 35,086,940	\$ 30,446,273

Annuity Premiums: As discussed in Note 2, deferred annuity and fixed-period immediate annuity premiums are not reported as revenue, rather as deposit liabilities for annuity contracts. The following is a summary of annuity premiums at year end:

Annuity premiums	2019	2018
Life-contingent immediate annuities	\$ 139,940	\$ 1,195,632
Fixed-period immediate annuities	785,308	291,364
Deferred annuities	6,216,438	1,119,499
Total annuity premiums	\$ 7,141,686	\$ 2,606,495

(8) FUNDS ON DEPOSIT

Funds on deposit with the Company consist of Advance Premium Deposits (APDs), Guaranteed Interest Contracts (GICs) and Dividends on Deposit (DODs). Funds on deposit are amounts held on behalf of outside parties. Interest is paid yearly at a rate set by the Company. Funds on deposit are renewed annually at the option of the Company and the terms of the contract can be changed by the Company with a 30-day notice.

Notes to the Consolidated Financial Statements

The components of funds on deposit at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Amount	Interest Rate	Amount	Interest Rate
Funds on deposit				
Advance Premium Deposits	\$ 3,365,360	4%	\$ 3,306,029	4%
Guaranteed Interest Contracts	6,623,966	2%	5,782,170	3%
Dividends on Deposit	9,995	4%	9,493	4%
Total Funds on deposit	\$ 9,999,321		\$ 9,097,692	

(9) LINE OF CREDIT

The Company has an unsecured line-of-credit agreement with a bank, which enables the company to borrow up to \$3,000,000. Borrowings under the line-of-credit agreement as of December 31, 2019 and 2018 amounted to \$0. The interest rate is a variable interest rate which is 0.050 percentage points under the Wall Street Journal Prime Rate with an interest rate floor of 4.950%.

(10) STOCKHOLDERS' EQUITY

State of Arizona insurance regulations require the Company to keep a minimum capital of \$300,000 and a minimum free surplus of \$150,000. The following is a summary of capital and free surplus at December 31, 2019 and 2018:

	2019	2018
Capital	\$ 930,495	\$ 929,841
Free surplus	\$ 18,315,542	\$ 18,027,696

In January 2017, the Board authorized the Company to purchase up to 300,000 shares of Company stock at 90% of the most recent available GAAP basis book value (adjusted for unpaid dividends), with this resolution to renew annually until revoked. The following is a summary of stock purchases for 2019 and 2018:

	2019	2018
# of shares purchased	67,795	51,595
Low price	\$ 3.68	\$ 3.61
High price	\$ 3.80	\$ 3.76

On February 18, 2020, the Board of Directors declared a cash dividend of 10.0 cents per share. The distribution will be made on April 10, 2020 to stockholders of record on March 31, 2020. A second semi-annual dividend is expected to be declared by the Board in August and paid in October.

(11) INVESTMENT INCOME NET OF EXPENSES

The components of investment income net of expenses at December 31, 2019 and 2018 are as follows:

Cash & cash equivalents			Marketable securities		
	2019	2018		2019	2018
Income	\$ 103,395	\$ 81,266	Income	\$ 163,219	\$ 155,088
Expenses	-10,991	-8,852	Expenses	-23,410	-21,377
Total	\$ 92,404	\$ 72,414	Total	\$ 139,809	\$ 133,711

Mortgage loans			Other investment income		
	2019	2018		2019	2018
Income	\$ 4,606,276	\$ 4,527,204	Income	\$ 30,095	\$ 30,927
Expenses	-158,654	-107,248	Expenses	-13,405	-10,438
Total	\$ 4,447,623	\$ 4,419,956	Total	\$ 16,690	\$ 20,489

Real estate owned		
	2019	2018
Income	\$ 477,031	\$ 696,522
Expenses	-597,279	-884,621
Total	\$ -120,248	\$ -188,099

(12) EMPLOYEE BENEFITS & TAXES

Profit Sharing Plan - In 1993, the Company began to sponsor a qualified profit sharing plan available to full-time employees who meet the plan's eligibility requirements. The terms of the plan call for annual discretionary contributions by the Company as determined by the Board of Directors. Plan contributions were \$75,222 for 2019 and \$98,740 for 2018.

Stock Benefit Plan - In October 2007, the Company began an employee compensation in stock benefit plan available to full-time employees and directors. The terms of the plan allows employees or directors to specify up to 100% of their total compensation to be taken as shares of company stock. The allocation price of the stock is 100% of the (non-audited) GAAP book value for the month preceding enrollment. During 2019, 6,531 shares of Company common stock were purchased under the plan for a total of \$26,919. The October 2019 enrollment stock price was \$4.12 and as of December 31, 2019, \$4,507 of employee and directors compensation had been set aside for stock purchase.

The components of employee benefits and taxes at December 31, 2019 and 2018 are as follows:

Employee benefits & taxes	2019	2018
Profit sharing plan	\$ 75,222	\$ 98,740
Employee welfare	85,055	82,194
Payroll taxes	88,251	84,873
Total employee benefits & taxes	\$ 248,528	\$ 265,807

(13) RELATED PARTIES

There is a significant inter-relationship between policyholders who are also stockholders and members of Company management and the Board of Directors. Nevertheless, no related party transactions involving this group have occurred during the years ended December 31, 2019 and 2018, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

- a) Life insurance premiums paid by Company officers and directors totaled 13.3% and 12.8% of total premiums paid in 2019 and 2018, respectively. Company officers and directors also owned 5.1% and 5.1% of total policy face value in 2019 and 2018, respectively.
- b) Robert E. Allen is the Vice President of the Company and also the Trustee of the Company's Profit Sharing Plan detailed in Note 11.
- c) Wayne Gardner is a Company director and also a partner of Buntrock, Harrison & Gardner Law, PLLC, which the company paid legal fees of \$510 and \$2,979 in 2019 and 2018, respectively.

(14) CLAIMS AND CONTINGENCIES

The Company has various legal proceedings and claims pending that are common to its operations. While it is not possible to determine the ultimate outcome of these matters, it is the opinion of the Company's legal counsel and management that they will not result in monetary damages that in the aggregate would be material to the business or operations of the Company.

(15) UNCERTAIN TAX POSITIONS

During 2010, the Company adopted the provisions of FASB Interpretation No. 48, as codified by the Financial Accounting Standards Board. This Interpretation requires entities, including nonprofit organizations, to evaluate uncertain tax provisions and record a liability for those positions in which it is more likely than not that the position would result in an additional tax liability pursuant to an examination by the Internal Revenue Service. Management evaluates annually its tax positions related to unrelated business income, and if applicable adjusts its income tax provision accordingly. As of December 31, 2019, no uncertain tax positions have been identified and accordingly, no provision has been made.

(16) SPECIAL NOTE - Statutory Financial Statements

Each year, the Company files its financial statements with the Arizona Department of Insurance and the National Association of Insurance Commissioners (NAIC). They are prepared according to Standard Statutory Accounting Practices (SSAP) requirements, and are used by state regulators to review our Company's solvency and claims paying ability. We refer to these as the "statutory" financial statements, and they are audited each year by a qualified Certified Public Accounting firm.

The statutory financial statements differ in several respects with the financial statements provided herein (referred to as the Stockholders Financial Statements). Two significant additional reserves required in the Statutory Financial Statements in-

clude Asset Valuation Reserves (\$1.6 million) and Interest Maintenance Reserves (\$2,438). These Stockholders Financial Statements, although unaudited, are prepared in a manner primarily consistent with Generally Accepted Accounting Principles.

The following table shows a comparison of the financial highlights of the Stockholders Financial Statements with the Statutory Financial Statements:

	2019 <u>Stockholders</u> Financial Statements	2019 <u>Statutory</u> Financial Statements
Total Assets	\$ 68,624,827	\$ 66,829,163
Total Liabilities	\$ 49,378,790	\$ 51,001,245
Total Stockholders' Equity	\$ 19,246,036	\$ 15,827,918
Equity per Share	\$ 4.26	\$ 3.51
Annual Net Income	\$ 1,389,313	\$ 1,324,308
Net Income per Share	\$ 0.31	\$ 0.29

After April 30, 2020, the 2019 audited statutory financial statements will be available on the Company's website: www.AmericanSavingsLife.com/stock.

(17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 1, 2020, the date in which the financial statements were available to be issued. No events or transactions occurred after year-end that require additional disclosure or adjustment to the financial statements.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report are forward-looking statements. Examples of forward-looking statements include (i) projections of revenues, income or lost earnings or loss per share and other financial items, (ii) statements of plans and objectives of the Company or its management, and (iii) statements of future economic performance. Words such as "believe," "anticipates," "expects," "intends," "may," "will," and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying these statements.

In addition, all statements other than statements of historical facts that address activities that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements involve risk and uncertainties, which may cause actual results to differ materially from those in such statements.

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