ANNUAL REPORT

AMERICAN SAVINGS
LIFE INSURANCE COMPANY

Founded 1954

We Are
American Savings

American Savings Life

We Are…

A financial services company offering unique life insurance, annuity, and commercial real estate lending solutions since 1954.

Our Purpose

Why We Exist

To Improve Your Financial Well-Being

"Your" includes all of our stakeholders.

We do this by offering superior products and service in all of our lines of business.

Our Vision

What We Are Becoming

To be a secure financial services company through the growth of unique and diversified products, services, and investments.

"Secure" includes a strong balance sheet and minimal business risk. Diversification is for the purpose of decreasing business risk.

Our Core Values

We Live These Values

- **Integrity**
  We are honest and we do the right things for the right reasons – always.
- **Consideration**
  We are helpful, friendly, courteous, and kind. We seek win-win in everything we do.
- **Dedication**
  We honor our commitments and go the extra mile to exceed expectations.
- **Professionalism**
  We are professional in our words, our appearance, and our actions.
- **Continuous Improvement**
  We are always improving, both personally and professionally; both individually and as an organization.

Our Founder's Principles

We Were Built on These Principles

- **Safe Investments**
  Safety of principal is primary, and profitable returns are secondary.
- **Mutual Respect**
  Respecting differing perspectives is more important than expediency.
- **Stewardship of Stockholder Funds**
  "Stockholder money is more precious than any personal funds." – Frihoff N. Allen
- **Debt Avoidance**
  Debt is to be avoided other than short-term debt for cashflow management purposes.
- **Dependable Dividends**
  Setting dividends based on sustainable profitability to minimize volatility.
- **High Ethical Standards**
  We strive to "work in a way that is eligible for the blessings of Heaven." – Frihoff N. Allen
- **Prudent Growth**
  Pursuing new growth should not jeopardize ongoing earnings.
- **Availability of Funds**
  Customer funds are available when requested per contractual terms.

Long-Term PERFORMANCE

Over the last 20 years, ASL's stock has increased 457% vs. 316% for the overall stock market (S&P 500 index).

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.

Dear Fellow Shareholders,

March 15, 2021

The year 2020 will no doubt be remembered as the year of the COVID-19 pandemic. As it swept across the globe, it created a public health crisis that abruptly threw the world into a recession. The word "**uncertainty**" quickly became the most popular word in business—and for good reason. These were truly "**unprecedented**" times (possibly the second most oft-used word).

Initial Responses to the Pandemic

Amidst this "unprecedented uncertainty," our team responded admirably. Thanks to the efforts of our crack team of I.T. wizards and the adaptability of our staff, **our business did not miss a beat as nearly all of our team began working from home**.

Since the majority of the Company's investments are in commercial real estate loans, we were particularly concerned about the potential impact of the nationwide shutdowns on our loan portfolio. How would it impact our borrowers' ability to make their loan payments? How much would commercial real estate values decline? Should we continue lending or wait until there was less uncertainty?

Although we wanted to continue lending, **our conservative nature led us to anticipate the worst** and we became ultra conservative in the loan terms we offered. I like to think that this "better safe than sorry" approach was rational, given the prevailing uncertainty of the future, but it resulted in several months of very little interest in the more conservative loans we were offering.

We were pleasantly surprised by an unexpected development during this time. Instead of loans defaulting, we received an **unusually large number of loan payoffs**. Furthermore, instead of the real estate market freezing up, we **sold a number of our REO (real estate owned) properties**. Both of these welcome surprises increased our cash to exceptionally high levels.

We were shocked that we did not see any of the after-effects we expected would follow the global shutdown. Even more surprising, **we have not had a single new loan delinquency** during this time period. It was as if the pandemic did not even exist! It appears that the government's decisive action to inject billions and even trillions of dollars into the economy was working. The economy managed to avoid falling into a major recession.

We were grateful things were going so well with our mortgages, and having **24% of our total assets in cash** kept us exceptionally secure. But this did cause a problem for us. Historically low bank interest rates meant that we were earning little interest on this excess cash, considerably reducing our investment income. This was not sustainable in the long-run, so we needed to offer more competitive loan terms.

Instead of simply lowering our lending standards to be more competitive, we continued to underwrite our loans conservatively but **lowered our loan interest rates.** This was a winning strategy. Within a short period of time, we began investing our excess cash in new mortgage loans.

Although our average loan interest rate decreased from 9.2% the first 8 months of 2020 to 8.3% in the last 4 months, it was vitally important to get the millions of dollars sitting in cash reinvested into mortgages.

Our mortgages dropped from $45 million at the beginning of the pandemic to $40 million by August. But during the last four months of 2020, our **loan portfolio grew to a record $48 million**. (As of the writing of this letter, it has since grown to over $51 million, with several more million scheduled to close within the next few weeks.)

Lemon Juice on a Papercut

The loss of interest income resulting from our elevated cash holdings during the first six months of the pandemic was significant, but unfortunately it was not the only blow to our financial performance.

The effects of an unprofitable investment made in 2013 were felt in 2020. Between 2011 and 2013, we made three investments totaling $2.3 million with a reputable real estate investment group. Initially, we realized a gain of $470,000 on the first two investments (totaling $1,420,000). But unfortunately, the last $880,000 investment ended up losing $520,000. The last $165,000 of that loss was written off this year. This reduced our after-tax profit in 2020 by $130,000.

A third large hit to this year's profitability was a $137,000 **increase in our annuity reserves due to lower interest rates**. The lower market interest rates require us to hold higher reserves. To be clear, this is not an actual cash expense, but we are required to set aside more funds as reserves in case we earn lower interest in the future. And since an increase in reserves is recorded as an expense, this change further reduced 2020's after-tax profit by $108,000.

A final challenge that hurt our 2020 income was an unusually **high amount of life insurance death claims** on young people insured with our Youth Life Plan insurance policies. 2020 death claims were approximately $75,000 greater than our 10-year average annual amount. None of these death claims, however, were related to COVID-19.

Bright Spots to Celebrate

Fortunately, we did have some wonderful successes in 2020.

In the last four months of the year, we originated a record $10 million in new loans. In addition to growing our loan portfolio to end the year at $48 million (as mentioned before), these loans also generated over $200,000 in loan fee income. This momentum has continued into 2021. We expect soon to have all of our excess cash fully invested in mortgages.

An unfortunate reality of our lending business is that a small part of our mortgage loans result in foreclosures which become real estate owned (REO) that we then have to sell. Fortunately, because of the conservative loan amounts we lend (on average only 55% of a property's value), we usually make a profit when we sell the foreclosed properties. This year **we sold four REO properties for a combined after-tax realized gain of $530,000**.

We were also successful in **earning $70,000 in a loan broker fee**. This came from a loan that did not fit the Company's underwriting but we were able to refer the loan to a lender who funded it. This was a great start on one of our 2021 strategic initiatives.

Strategic Initiatives for 2021

We have several exciting initiatives for the year 2021 on both sides of our business (life insurance and real estate lending).

First for the insurance side, we are finally **launching our new <u>Remembrance</u> life insurance policy.** Due to the uncertainty of the pandemic, we delayed the launch until the beginning of 2021. This is a very exciting policy that offers certainty for passing on funds to one's heirs, while providing chronic illness benefits, if needed. We expect this policy will be the source of major growth of our life insurance sales over the next many years.

We are also **creating a Company insurance agency** that will let us to offer other companies' products to our customers and stockholders. Richard Unangst, a recently retired Company employee of 22 years will head up this initiative and we look forward to the increase in service this will provide.

On the lending side, we have four strategic growth initiatives.

1) **Grow our network of commercial loan brokers and business bankers** and regularly connect with them through a myriad of methods; from "old school" phone calls, personalized letters, and in-person meetings, to the more modern methods of emails, social network messages, and social media posts.

2) **Grow fee income from brokering loans that come to us but are not a fit for our lending program**. We anticipate this will become a profitable part of our lending business that will allow us to grow our loan fee income while also providing a valuable service to borrowers that do not qualify for our own loan programs.

3) **Grow the number of online loan requests we receive** by aggressively enhancing our online presence. The number of internet searches for loans continues to grow every year, so it is vital that we develop an effective strategy to capture as many of these as possible. Frankly, this is an area where we have been seriously underperforming. I am very optimistic about the benefits this initiative will provide over time.

4) **Grow the number of loan participations we sell to other life insurance companies**. A loan participation is when we sell part of a loan and we currently only sell participations to other insurance companies. Loan participations are profitable for us because they allow us to make more loans than we could if we were limited to only our funds. These additional loans generate fee income for us and increase our interest income by offering a lower yield to the participating company and retaining the difference.

To be clear, loan participations are also a win to the participating company because they earn much higher interest on these loans than they otherwise would if they instead invested the funds in bonds. This is a situation where our unique expertise and experience making our profitable, yet low risk *Not So Hard Money®* loans can be a valuable investment opportunity for other insurance companies, while enabling us to grow our loan volume and earn greater income.

Your Stock's Performance and Cash Dividends

OK, let's look at how the Company fared financially during the year of COVID-19:

- **EBITDA** (Earnings Before Interest & Depreciation) up $109,000 **+7%**
- **Net Income** down $123,000 **-9%**
- **Comprehensive Income Attributable to Shareholders** down $71,000 **-5%**
- **Dividend Yield = 4.7%**
- **Total Shareholder Return = 7.4%**

Shareholders received two 10¢ per share cash dividends in 2020. Together, these dividends equal a 4.7% yield on the 12/31/2019 stock book value.

In addition to the cash dividends, your stock's book value also increased 2.7%, for a combined Total Shareholder Return of 7.4%.

Although the last four months of 2020 were more profitable months, the Board decided to leave the

April 2021 dividend at 10¢ per share, wanting to see a sustained duration of higher profitability before raising the dividend.

Therefore, **the first semi-annual 2021 dividend will be 10¢ per share, to be paid on April 10, 2021** to all shareholders of record as of March 31st. The Board intends to declare a second semi-annual dividend in August, to be paid in October. **2021 will be the 39th consecutive year that we have paid cash dividends**.

Reflections and Projections

2020 was a year that impacted each of the world's 7.8 billion people. With sincere sorrow we acknowledge that even though we are very grateful for COVID-19's low mortality rate, for those families who lost a loved one, it was still too high. And for the many business owners who lost their life's work and life's savings when they lost their business, the pandemic was also very tragic. Our hearts goes out to all of them.

Despite these tragedies, it was also a year that brought new insights. For instance, before the pandemic I could have never imagined that our Company could successfully operate with the majority of its employees working from home full-time, yet here we are doing just that.

Will there still be repercussions from the major disruption the pandemic has caused to the economy? Time will only tell. As of the writing of this letter, all indications are that we are already in the midst of a strong recovery. Nevertheless, it seems reasonable to expect that there must be some fallout at some point.

Whenever that may occur, I am confident about our Company's long-term future. Our investment model (graphically described on pages 11-12) has proven to be successful for many decades now. We have a unique and profitable niche within our industry; one that we believe will continue to benefit all of the Company stakeholders through economic ups and downs.

We continue to make progress toward our long-term strategy to grow and diversify income sources from both our life insurance business and our lending business. Our ultimate objective in this growth is to provide greater long-term shareholder value while also lowering our exposure to risk.

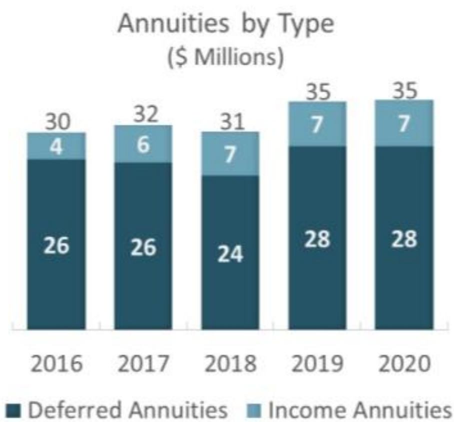
On behalf of the board of directors and the amazingly talented and dedicated staff, I earnestly thank you for your trust and support. I look forward to sharing this great Company's continued and increasing success with you!

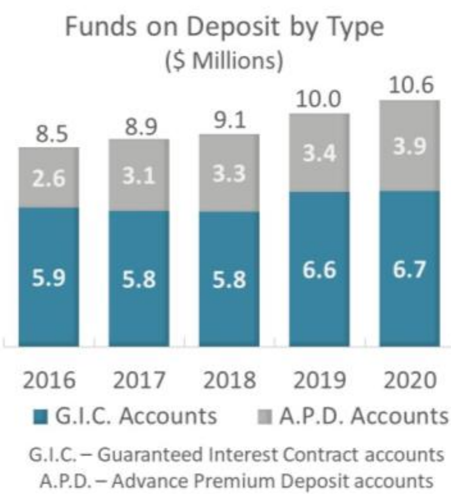
Sincerely yours,
Byron Allen

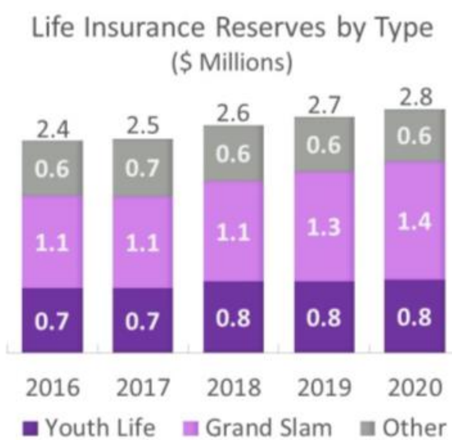
Byron Frihoff Allen, President

A Graphical Perspective of Our
LINES OF BUSINESS

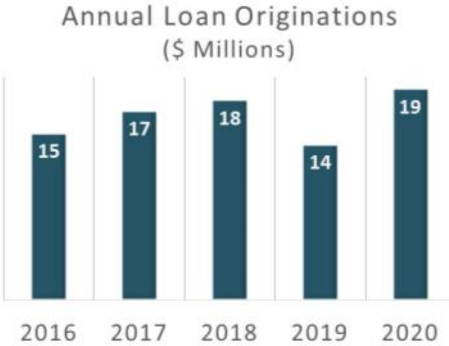
Life Insurance and Annuities

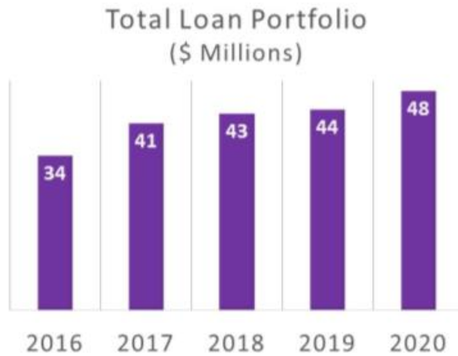


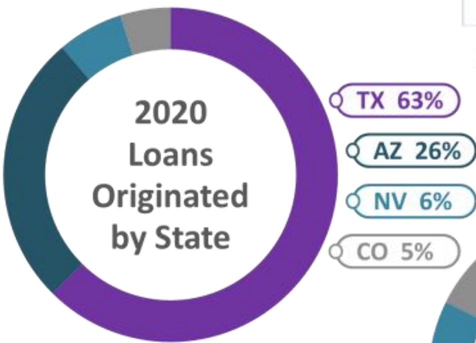


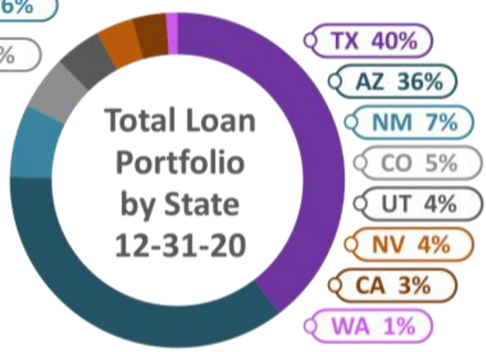


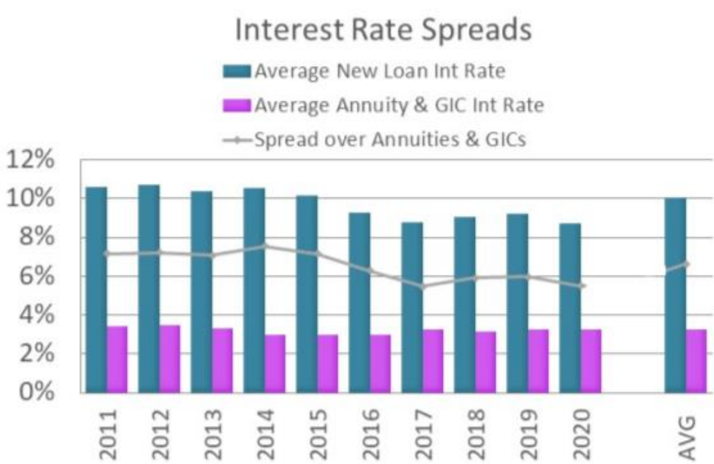
Mortgage Lending



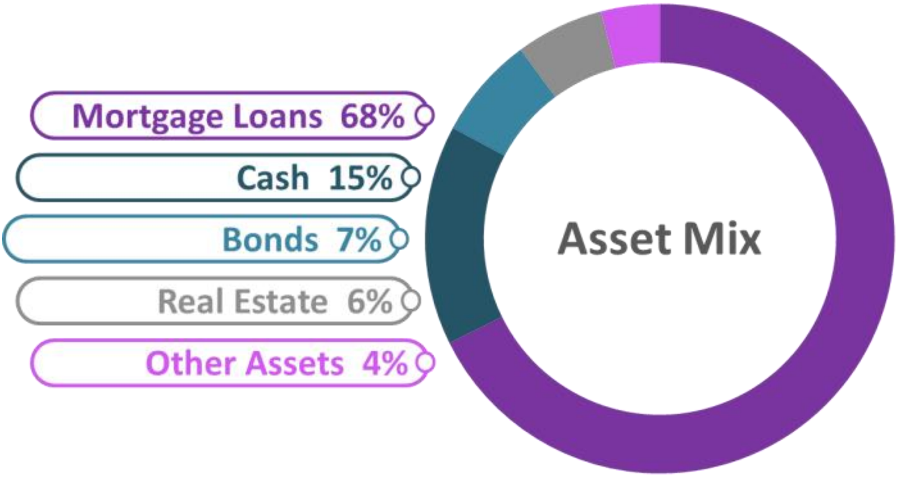


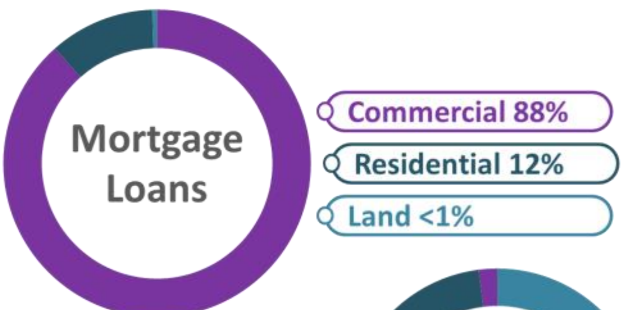


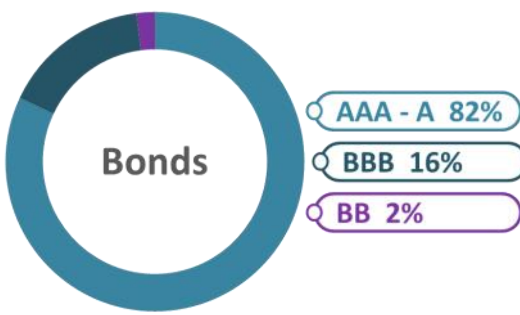




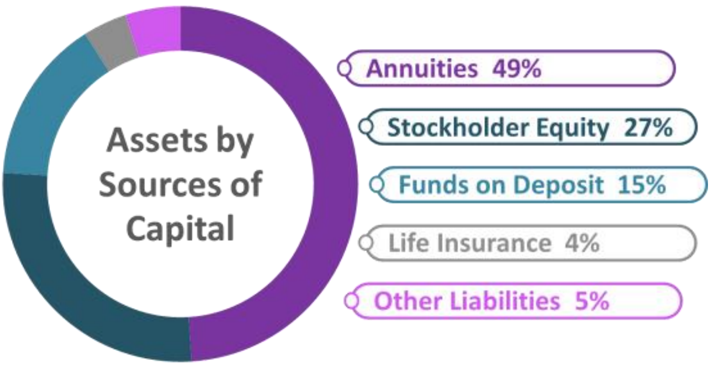
A Graphical Perspective of Our
INVESTED ASSETS

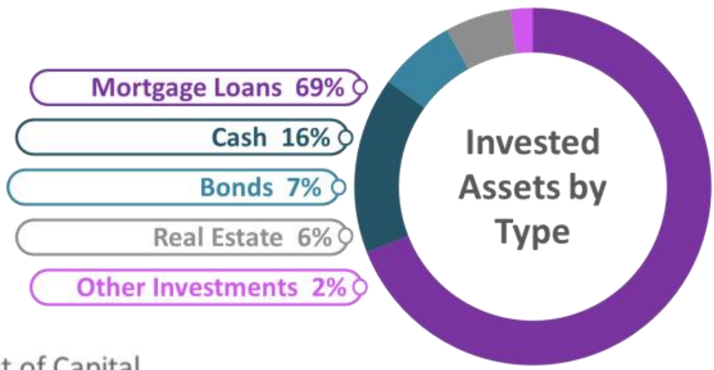


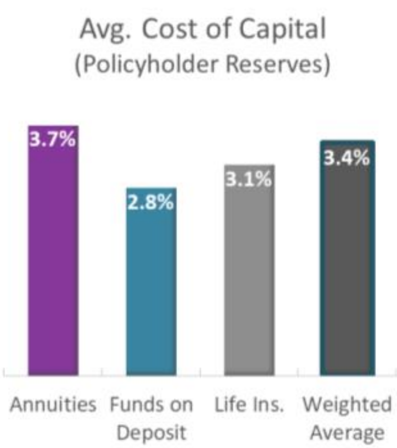


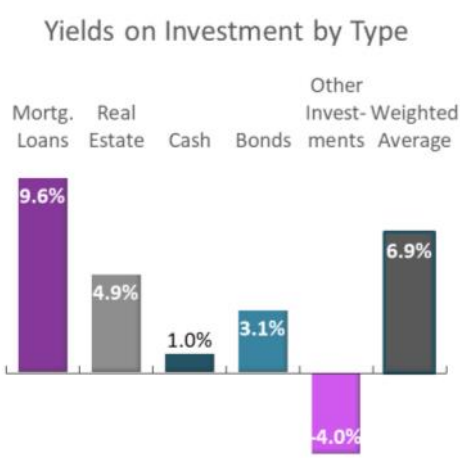


Cost of Capital vs. INVESTMENT YIELDS









Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31: 2020, 2019, 2018, 2017 &, 2016 (UNAUDITED)

	2020	**2019**	**2018**	**2017**	**2016**
Statement of Operations Data					
Total Revenues	**5,643,935**	4,997,472	5,975,460	6,516,213	5,254,481
Total Expenses	**4,000,937**	3,507,247	4,348,324	4,687,578	3,193,666
Net Taxable Income	**1,642,997**	1,490,225	1,627,136	1,828,635	2,060,815
Net Income	**1,215,727**	1,338,621	1,650,422	1,521,325	1,701,812
Statement of Financial Position Data					
Total Assets	**71,765,999**	68,624,827	62,927,817	62,825,904	60,583,811
Total Reserves for Life Ins, Annuities & Deposits	**48,930,214**	47,855,379	42,219,819	42,972,890	41,289,410
Total Liabilities	**52,356,881**	49,378,790	43,970,280	44,291,443	42,201,448
Total Shareholders Equity	**19,409,118**	19,246,036	18,957,537	18,534,460	18,382,363
Per Share Data					
Total Shares Outstanding	**4,433,984**	4,513,595	4,574,859	4,617,649	4,642,202
Earnings Per Share (EPS)	**0.274**	0.297	0.361	0.329	0.367
Dividends Per Share (DPS)	**0.200**	0.220	0.240	0.240	0.235
Book Value of Equity Per Share (BVPS)	**4.377**	4.264	4.144	4.014	3.960
Key Performance Measurements					
Dividend Yield *(DPS / prior yr. BVPS)*	**4.69%**	5.31%	5.98%	6.06%	6.20%
Investment Yield *(net inv. inc.+ cap. gains / prior yr. assets)*	**7.51%**	7.46%	7.35%	7.85%	8.40%
Return on Equity *(net income / prior yr. BVPS)*	**6.43%**	7.16%	8.99%	8.32%	9.67%
Total Shareholder Return *(DPS + BVPS incr. / prior yr. BVPS)*	**7.35%**	8.21%	9.22%	7.42%	10.68%

The Notes on pages 18-29 are an integral part of these financial statements.

Consolidated Statement of Operations

FOR THE YEARS ENDED DEC. 31: 2020, 2019 & 2018 *(UNAUDITED)*

REVENUES	**2020**	**2019**	**2018**
Premiums - Life insurance	**168,206**	165,932	161,898
Premiums - Annuities w/ mortality risk	**323,505**	139,940	1,195,632
Investment income net of expenses			
Cash & cash equivalents	**71,890**	92,404	72,414
Mortgage loans	**4,537,965**	4,447,591	4,419,956
Real estate owned	**(173,140)**	(120,248)	(188,099)
Marketable securities	**120,818**	139,809	133,711
Other investment income	**13,081**	16,690	20,489
Realized Capital Gains/(Losses)	**581,609**	115,355	159,460
TOTAL REVENUES	**5,643,935**	4,997,472	5,975,460
EXPENSES			
Policyholder benefits	**201,134**	127,000	123,785
Increase in life reserves & loading	**836,398**	488,219	1,538,938
Policy acquisition costs	**75,123**	73,553	87,359
Interest on insurance and annuities	**1,197,948**	1,150,078	1,039,492
General expenses			
Salaries and wages	**1,181,589**	1,138,283	1,061,143
Employee Benefits & Taxes	**244,415**	248,528	265,807
Professional fees	**175,044**	168,005	113,213
Other expenses	**64,377**	93,766	97,969
Taxes licenses and fees	**24,910**	19,815	20,619
TOTAL EXPENSES	**4,000,937**	3,507,247	4,348,324
NET TAXABLE INCOME	**1,642,997**	1,490,225	1,627,136
Federal Income Tax	**(427,270)**	(151,604)	23,286
NET INCOME	**1,215,727**	1,338,621	1,650,422
Net Income per share	**$ 0.274**	$ 0.297	$ 0.361
OTHER COMPREHENSIVE INCOME (OCI)			
Unrealized gain/(loss) on common stocks	**130,371**	239,799	0
Unrealized gain/(loss) on partnerships	**0**	(175,631)	0
Federal Income Tax on OCI Items	**(27,378)**	(13,475)	0
OCI, net of tax	**102,993**	50,692	0
COMPREHENSIVE INCOME	**1,318,720**	1,389,313	1,650,422
Total shares outstanding	**4,433,984**	4,513,595	4,574,859
Comprehensive Income per share	**$ 0.297**	$ 0.308	$ 0.361

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Consolidated Statement of Financial Position

FOR THE YEARS ENDED DEC 31: 2020, 2019, & 2018 *(UNAUDITED)*

ASSETS	2020	2019	2018
Cash and cash equivalents	**11,085,503**	12,150,989	4,617,717
Bonds	**4,946,497**	4,763,976	4,637,981
Common & preferred stock	**1,512,649**	1,295,498	1,059,918
Policy loans	**93,590**	110,617	63,010
Mortgage loans	**48,388,016**	43,803,381	43,479,155
Investments in partnerships	**0**	165,354	484,538
Real estate investments	**4,431,559**	4,976,731	7,334,309
TOTAL CASH & INVESTED ASSETS	**70,457,815**	**67,266,545**	**61,676,629**
Accrued interest & deposits	**445,036**	435,985	394,281
Deferred policy acquisition asset	**361,692**	392,844	315,835
Land, building & office equipment	**244,307**	234,697	209,457
Deferred tax asset	**257,149**	294,756	331,615
TOTAL ASSETS	**71,765,999**	**68,624,827**	**62,927,817**
LIABILITIES			
Reserve for life policies	**2,891,375**	2,769,118	2,675,854
Reserve for annuities	**35,477,955**	35,086,940	30,446,273
Funds on deposit (APD/GIC)	**10,560,884**	9,999,321	9,097,692
Expenses due & accrued and other	**265,805**	281,555	460,720
Amounts held by ASLIC for others	**3,160,862**	1,241,857	1,289,741
TOTAL LIABILITIES	**52,356,881**	**49,378,790**	**43,970,280**
SHAREHOLDERS EQUITY			
Capital stock	**931,061**	930,495	929,841
Capital stock in excess of par	**2,723,745**	2,700,769	2,674,503
Retained earnings	**23,274,614**	22,808,061	22,575,259
Other comprehensive income/(loss)	**0**	0	(282,607)
Less treasury stock	**(7,520,301)**	(7,193,288)	(6,939,460)
TOTAL SHAREHOLDERS EQUITY	**19,409,118**	**19,246,036**	**18,957,537**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**71,765,999**	**68,624,827**	**62,927,817**
Shares Outstanding	**4,433,984**	**4,513,595**	**4,574,859**
Equity Value Per Share	**$ 4.377**	**$ 4.264**	**$ 4.144**

The Notes on pages 18-29 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	2020	2019	2018
Funds provided from operations			
Premiums received and annuity increases	**2,343,101**	6,524,362	$2,475,960
Net investment income (excl. realized gains)	**4,204,223**	4,097,505	4,656,580
Total funds provided from operations	**6,547,323**	10,621,868	7,132,540
Funds used in operations			
Benefits and loss related payments	**(3,684,603)**	(3,370,442)	(4,653,359)
Commissions & other expenses & taxes paid *(excluding federal income taxes)*	**(1,288,879)**	(1,511,794)	(1,312,702)
Dividends paid to policyholders	**(52,670)**	(50,204)	(46,253)
Federal income taxes paid *(excl. capital gains tax)*	**(435,901)**	(53,981)	462
Total funds (used) in operations	**(5,462,054)**	(4,986,421)	(6,011,853)
Net cash provided from operations	**1,085,269**	5,635,447	1,120,687
INVESTING ACTIVITIES			
Funds provided from investments sold, matured or repaid			
Bonds	**715,535**	436,449	1,549,548
Stocks	**408,931**	389,822	2,755,837
Mortgage Loans	**12,840,615**	12,374,058	11,874,169
Real Estate	**2,357,337**	3,852,756	1,913,326
Other invested assets	**0**	143,553	73,128
Total investment proceeds before capital gains tax	**16,322,418**	17,196,638	18,166,008
Cost of investments acquired			
Bonds, Mutual Funds & long term CD's	**(983,864)**	(633,106)	(1,535,188)
Stocks	**(432,025)**	(376,609)	(90,207)
Mortgage Loans	**(18,398,600)**	(13,878,700)	(18,397,217)
Real Estate and other invested assets	**(140,629)**	(152,196)	0
Total cost of investments acquired	**(19,955,119)**	(15,040,610)	(20,022,611)
(Increase) Decrease in policy loans	**17,026**	(47,607)	16,501
Net cash provided by investment activities	**(3,615,675)**	2,108,421	(1,840,102)
FINANCING ACTIVITIES			
Funds provided from (used for) financing activities			
Capital and paid in surplus net of treasury stock	**(303,472)**	(226,909)	(155,563)
Net deposits on deposit-type contracts	**728,531**	1,075,185	(147,533)
Cash dividends paid	**(887,962)**	(999,476)	(1,103,594)
Other cash provided (applied)	**1,913,057**	(12,343)	152,113
Net cash from (used for) financing activities	**1,450,155**	(163,543)	(1,254,578)
Increase (Decr.) in cash & short-term investments	**(1,080,251)**	7,580,324	(1,973,992)
Cash & short-term investments, beg. of year	**12,176,404**	4,596,080	6,591,709
Cash & short-term investments, end of year	**11,096,154**	12,176,404	4,617,717

The Notes on pages 18-29 are an integral part of these financial statements.

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED
DEC 31: 2020 AND 2019 (UNAUDITED)

	Capital Stock	Capital In Excess of Par	Accumulated Other Com-prehensive Income (Loss)	Unassigned Surplus	Treasury Stock	Total
BALANCES, December 31, 2018	**929,841**	**2,674,503**	**(282,607)**	**22,575,259**	**(6,939,460)**	**18,957,537**
COMPREHENSIVE INCOME:						
Net Income				1,338,621		1,338,621
Change in unrealized investment gain/(loss)			282,607	(231,914)		50,692
Comprehensive income			282,607	1,106,707		1,389,313
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				125,571		125,571
BALANCES, December 31, 2019	930,495	2,700,769	0	22,808,061	(7,193,288)	19,246,036
COMPREHENSIVE INCOME:						
Net Income				1,215,727		1,215,727
Change in unrealized investment gain/(loss)				102,993		102,993
Comprehensive income				1,318,720		1,318,720
Dividends declared & accrued				(887,962)		(887,962)
Issue employee compensation in stock	566	22,976				23,542
Repurchase Capital Stock (Treasury)					(327,013)	(327,013)
Change in Nonadmitted Assets				35,795		35,795
BALANCES, December 31, 2020	**931,061**	**2,723,745**	**0**	**23,274,614**	**(7,520,301)**	**19,409,118**

The Notes on pages 18-29 are an integral part of these 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 $568,251 at year end 2020 and $516,428 at year end 2019.

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, 2020 and December 31, 2019, 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 $54,797 and $249,772 at December 31, 2020 and 2019, respectively. The money market funds utilized by the Company invest in short-term U.S. government and agency securities.

Bonds: In 2017, the Company invested in Government National Mortgage Association (GNMA or Ginne 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, 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,	**2020**	2019
GNMA bonds	**$ 1,723,044**	$ 1,686,647
Municipal bonds	**568,251**	516,428
Corporate bonds	**2,655,202**	2,560,901
Total bonds	**$ 4,946,497**	$ 4,763,976

The amortized cost of bonds as of December 31, 2020 and 2019, by investment grade are as follows:

	2020		2019	
Bonds:	**Cost**	**% of Total**	Cost	% of Total
AAA - A	**$ 3,780,812**	**76%**	$ 3,946,524	83%
BBB	**964,609**	**20%**	720,613	15%
BB	**201,076**	**4%**	96,839	2%
B	**0**	**0%**	0	0%
Total bonds	**$ 4,946,497**	**100%**	$ 4,763,976	100%

Common Stock: The distribution of unrealized gains and losses on common stock as of December 31, 2020 and 2019, by investment strategy are as follows:

	2020		
Common stocks:	**Cost**		**Fair Value**
Dividend stock strategy	**$ 0**	**$ 0**	**$ 0**
Growth stock strategy	**797,569**	**344,707**	**1,142,276**
Berkshire Hathaway	**256,685**	**91,130**	**347,815**
Other	**20,075**	**2,483**	**22,558**
Total common stocks	**$ 1,074,329**	**$ 438,321**	**$ 1,512,649**

	2019		
Common stocks:	Cost		Fair Value
Dividend stock strategy	$ 225,940	$ 71,924	$ 297,864
Growth stock strategy	484,848	152,636	637,484
Berkshire Hathaway	256,685	82,905	339,590
Other	20,075	485	20,560
Total common stocks	$ 987,548	$ 307,950	$ 1,295,498

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 2020 and 2019 were 8.45% and were 9.15%, respectively. At December 31 2020 and 2019, the distribution of the mortgage loan portfolio by property type and state are as follows:

	2020		2019	
Property type	**Amount**	**% of Total**	Amount	% of Total
Commercial	**$ 42,587,290**	**88%**	$ 37,014,283	85%
Residential	**5,754,699**	**12%**	5,546,563	13%
Land	**46,026**	**0%**	1,242,535	3%
Total mortgage loans	**$ 48,388,016**	**100%**	$ 43,803,381	100%

	2020		2019	
State	**Amount**	**% of Total**	Amount	% of Total
Texas	**$ 19,221,417**	**40%**	13,200,064	30%
Arizona	**17,174,485**	**35%**	$ 17,079,750	39%
New Mexico	**3,417,323**	**7%**	2,277,256	5%
Colorado	**2,527,227**	**5%**	2,261,684	5%
Utah	**2,193,045**	**5%**	2,355,326	5%
Nevada	**1,732,458**	**4%**	3,937,338	9%
California	**1,597,884**	**3%**	1,616,977	4%
Washington	**524,177**	**1%**	524,987	1%
Wyoming	**0**	**0%**	550,000	1%
Total mortgage loans	**$ 48,388,016**	**100%**	$ 43,803,381	100%

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, 2020 and 2019.

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. 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:

	2020		2019	
Mortgages:	**Amount**	**Value of Land and Buildings**	Amount	Value of Land and Buildings
In good standing	**$ 47,450,630**	**$ 115,622,000**	$ 42,540,721	$ 111,710,200
Greater than 90 days past due	**60,809**	**295,000**	0	0
In foreclosure, interest accruing	**876,576**	**2,080,000**	1,262,660	3,365,000
Total mortgage loans	**$ 48,388,016**	**$ 117,997,000**	$ 43,803,381	$ 115,075,200

Investments in Partnerships:

In 2020, the company disposed of a 7% interest in Window Rock Residential Recovery Fund, LP (WRRRF). The net loss recognized in 2020 on the disposal of WRRRF was $165,354. WRRRF is a mortgage loan joint ventures managed by the Cardon Group. This joint venture invests in distressed mortgage loans at discounted prices. Investments in partnerships are summarized as follows:

	2020					
	Total Contributed	**Distributions Income**	**Distributions Rtn of Cap**	**Realized Gain/(Loss)**	**Unrealized Gain/(Loss)**	**Book Value**
Window Rock	**$ 880,000**	**24,526**	**334,664**	**-545,336**	**0**	**0**

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

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:

December 31,	**2020**	2019
Number of foreclosures	**2**	1
Book value of foreclosures	**$ 1,205,477**	$ 1,415,641
Number of properties sold	**8**	12
Book value of properties sold	**$ 1,710,995**	$ 2,086,235
Net gains/(losses) from sale of real estate	**$ 646,342**	$ 350,880
Write-downs (OTTI) on real estate	**$ 0**	$ 250,100

	2020	2019
Property acquired in satisfaction of debt	**$ 3,340,240**	$ 3,885,412
Investments in real estate	**1,091,319**	1,091,319
Total real estate investments:	**$ 4,431,559**	$ 4,976,731

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, 2020.

Investments:	Balance 12/31/19	Additions	Retirements	**Balance 12/31/20**
Level 1 investments:				
Unaffiliated common stock	1,295,498	431,994	-214,843	**1,512,649**
Certificates of deposit	496,000	501,846	-744,000	**253,846**
Total Level 1	1,791,498	933,840	-958,843	**1,766,495**
Level 3 Investments:				
Mortgage loans	43,803,381	18,398,600	-13,813,965	**48,388,016**
Real estate investments	4,976,731	1,205,477	-1,750,649	**4,431,559**
Partnership interests	165,354	0	-165,354	**0**
Policy contract loans	110,617	8,662	-25,688	**93,590**
Total level 3	49,056,082	19,612,740	-15,755,656	**52,913,166**
Total Investments	$ 50,847,579	$ 20,546,580	$ -16,714,499	**$ 54,679,660**
Money market and checking accounts				**10,831,658**
Bonds carried at amortized cost				**4,946,497**
Total cash and investments				**$ 70,457,815**

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 12/31/19	Additions	Retirements	**Balance 12/31/20**
Home office - land	$ 71,622	$ 0	$ 0	**$ 71,622**
Home office - building	154,248	12,762	0	**167,011**
Office equipment	8,826	2,462	-5,614	**5,674**
Total	$ 234,696	$ 15,225	$ -5,614	**$ 244,307**

(5) DEFERRED TAX ASSET (LIABILITY)

The components of the net deferred tax asset / (liability) at December 31, 2020 and 2019 are as follows:

	2020	2019
Gross deferred tax assets	**$ 1,023,273**	$ 1,049,580
Statutory valuation allowance adjustments	**0**	0
Adjusted gross deferred tax assets	**1,023,273**	1,049,580
Deferred tax assets non-admitted	**-272,202**	-272,202
Net admitted deferred tax asset	**751,071**	777,378
Deferred tax liabilities	**-499,447**	-499,447
Net admitted deferred tax assets / (liabilities)	**251,624**	277,931
Current income tax recoverable/(payable)	**5,525**	16,825
Total deferred tax asset:	**$ 257,149**	$ 294,756

(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, 2020 and 2019 are as follows:

Reserve for life policies:	**2020**	2019
Grand Slam policies	**$ 1,352,788**	$ 1,250,401
Youth Life policies	**836,903**	822,570
Other life insurance policies	**601,931**	628,001
Total reserve for life policies	**2,791,623**	2,700,973
Policy claims pending	**37,272**	10,000
Provision for policyholder's dividends	**56,761**	52,696
Premiums received in advance	**5,719**	5,449
Total net reserve for life policies	**$ 2,891,375**	$ 2,769,118

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, 2020 and 20% at December 31, 2019. 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, 2020 and 2019 are as follows:

Reserve for annuities	2020	2019
Life-contingent immediate annuities	$ 4,780,240	$ 4,593,889
Fixed period immediate annuities	2,474,719	2,307,751
Deferred annuities	28,222,996	28,185,301
Total reserve for annuities	$ 35,477,955	$ 35,086,940

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	2020	2019
Life-contingent immediate annuities	$ 323,505	$ 139,940
Fixed period immediate annuities	482,619	785,308
Deferred annuities	1,846,520	6,216,438
Total annuity premiums	$ 2,652,645	$ 7,141,686

(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.

The components of funds on deposit at December 31, 2020 and 2019 are as follows:

	2020		2019	
Funds on deposit	Amount	Interest Rate	Amount	Interest Rate
Advance Premium Deposits	$ 3,889,482	4%	$ 3,365,360	4%
Guaranteed Interest Contracts	6,660,891	2%	6,623,966	2%
Dividends on Deposit	10,511	4%	9,995	4%
Total Funds on deposit	$ 10,560,884		$ 9,999,321	

(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, 2020 and 2019 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, 2020 and 2019:

	2020	2019
Capital	**$ 931,061**	$ 930,495
Free surplus	**$ 18,478,058**	$ 18,315,542

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 2020 and 2019:

	2020	2019
# of shares purchased	**85,271**	67,795
Low price	**$ 3.75**	$ 3.68
High price	**$ 3.85**	$ 3.80

On February 16, 2021, the Board of Directors declared a cash dividend of 10.0 cents per share. The distribution will be made on April 10, 2021 to stockholders of record on March 31, 2021. 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, 2020 and 2019 are as follows:

Cash & cash equivalents

	2020	2019
Income	**$ 82,680**	$ 103,395
Expenses	**-10,789**	-10,991
Total	**$ 71,890**	$ 92,404

Marketable securities

	2020	2019
Income	**$ 149,085**	$ 163,219
Expenses	**-28,267**	-23,410
Total	**$ 120,818**	$ 139,809

Mortgage loans

	2020	2019
Income	**$ 4,692,994**	$ 4,606,276
Expenses	**-155,029**	-158,654
Total	**$ 4,537,965**	$ 4,447,623

Other investment income

	2020	2019
Income	**$ 25,581**	$ 30,095
Expenses	**-12,500**	-13,405
Total	**$ 13,081**	$ 16,690

Real estate owned

	2020	2019
Income	**$ 277,560**	$ 477,031
Expenses	**-450,700**	-597,279
Total	**$ -173,140**	$ -120,248

(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 $106,333 for 2019 and $75,222 for 2019.

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 2020, 5,660 shares of Company common stock were purchased under the plan for a total of $23,542. The October 2020 enrollment stock price was $4.27 and as of December 31, 2020, $5,571 of employee and directors compensation had been set aside for stock purchase.

The components of employee benefits and taxes at December 31, 2020 and 2019 are as follows:

Employee benefits & taxes	**2020**	2019
Profit sharing plan	**$ 106,333**	$ 75,222
Employee welfare	**45,876**	85,055
Payroll taxes	**92,206**	88,251
Total employee benefits & taxes	**$ 244,415**	$ 248,528

(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, 2020 and 2019, 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 3.8% and 13.3% of total premiums paid in 2020 and 2019, respectively. Company officers and directors also owned 2.7% and 5.1% of total policy face value in 2020 and 2019, respectively.

b) Byron F. Allen is the President of the Company and also the Administrator of the Company's Profit Sharing Plan detailed in Note 11.

c) 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.

d) Wayne Gardner is a Company director and also a partner of Buntrock, Harrison & Gardner Law, PLLC, which the company paid legal fees of $0 and $510 in 2020 and 2019, 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, 2020, 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 include Asset Valuation Reserves ($1.7 million) and Interest Maintenance Reserves ($852). 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:

	2020 ***Stockholders*** Financial Statements	2020 ***Statutory*** Financial Statements
Total Assets	$ 71,765,999	$ 69,479,517
Total Liabilities	$ 52,356,881	$ 54,138,857
Total Stockholders' Equity	$ 19,409,118	$ 15,340,660
Equity per Share	$ 4.38	$ 3.46
Annual Net Income	$ 1,215,727	$ 629,481
Net Income per Share	$ 0.30	$ 0.14

After April 30, 2021, the 2020 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, 2021, 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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