

AMERICAN SAVINGS  
LIFE INSURANCE COMPANY



*Founded 1954*

# 2022 ANNUAL REPORT

# *We Are* **American Savings**

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## **American Savings Life**

*We Are...*

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

## **Our Purpose**

*Why We Exist*

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**To Improve Your  
Financial Well-Being**

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*"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*

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

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

# Life Insurance Company

## 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*

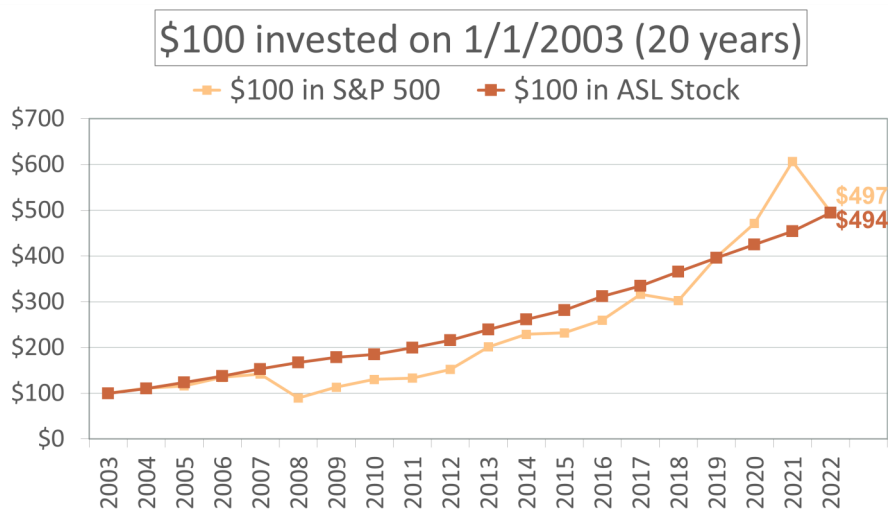
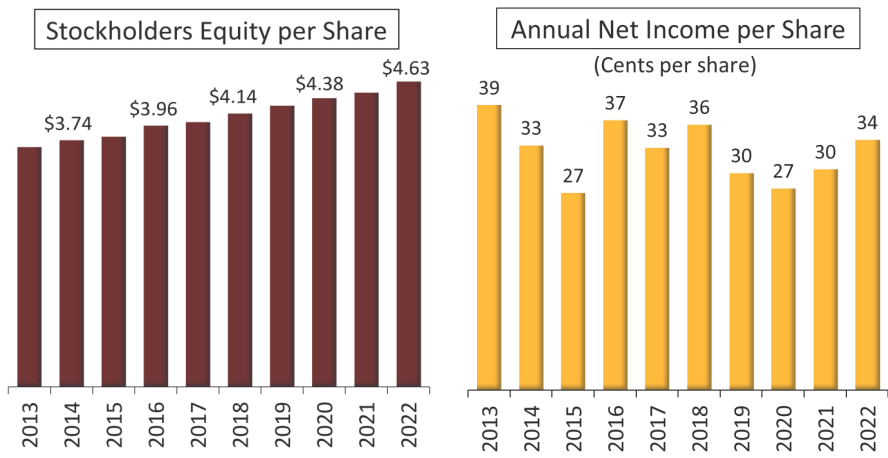
### **Prudent Growth**

*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 394% vs. 397% 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,

What a year 2022 was! It was one for the record books despite some very challenging macroeconomic conditions.

## **Inflation, Higher Interest Rates, & Economic Slowdown**

In last year's Annual Report we reported how the historically low interest rates, a red hot real estate market, and a robust economy were challenges to our profitability.

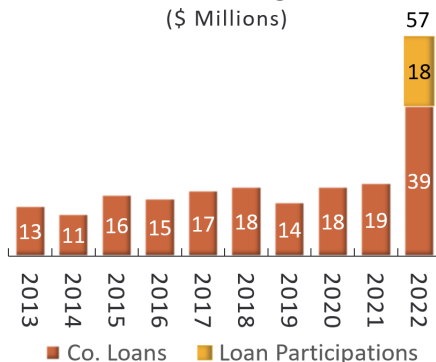
Ironically, all three of these conditions changed dramatically after last year's report was published. Although higher inflation is not a good thing, the resulting higher interest rates are a positive for our mortgage lending as well as for our annuity and deposit account customers.

Additionally, the slowdown in the economy and the real estate market reduced the pace of loan payoffs, keeping our funds invested longer in mortgages and helping our profitability.

## **Record Mortgage Lending**

We had a blowout year in loan originations compared to all prior years. Until 2022, we had never surpassed \$20 million in new loan originations. We ended 2022 with a total of \$57 million in loans funded, nearly tripling our prior record. This included \$39 million of Company loans and \$18 million of loan participations from other life insurance companies.

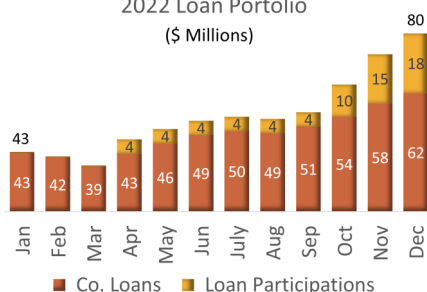
Annual Loan Originations  
(\$ Millions)



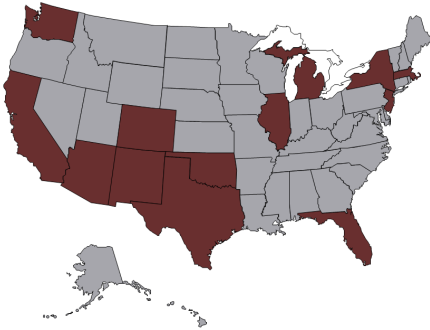
## **Record Loan Portfolio**

The higher loan origination volume combined with reduced loan payoffs resulted in a record Total Loan Portfolio of \$80 million at year-end. This includes \$62 million of Company loans and \$18 million of loan participations. Loan participations are becoming an increasingly important aspect of our lending. We earn fee income from the loan participations; plus, they enable us to make more and larger loans than we could with only Company assets.

2022 Loan Portfolio  
(\$ Millions)



## 2022 Loans Originated by State



### Larger Loans Nationwide

Two of the key factors that helped fuel the large increase in loan volume were that we increased our max loan amount to \$10 million and we expanded our lending area to be nationwide.

In 2022, we originated new loans in 13 different states (the brown colored states). This is more than twice as many states as in any previous year.

The average loan size in 2022 also increased to \$2.2 million, including three loans over \$9 million each. These larger loans were funded with a combination of Company assets and loan participations from other insurance companies.

### Report on 2022 Initiatives and Goals

We set out to accomplish a lot in 2022 and are pleased to return and report on these goals.

### 2022 Life Insurance Sales

Our 2022 goal for our new estate planning life insurance policy called The Remembrance policy was to sell \$1 million in Remembrance premiums. We more than doubled

that with over \$2.3 million in Remembrance premiums.

AMERICAN SAVINGS  
LIFE INSURANCE COMPANY



*Remembrance*

Single Premium Whole Life Insurance

### 2022 Online Marketing Initiative: A new podcast: FundingQuest

In 2022 we began developing a new marketing strategy for our lending business: A podcast in which I interview experts in various aspects of business loan funding (focused mainly on real estate loans) as well as other relevant and valuable topics for business owners.

The **FundingQuest** podcast's first episode aired in June 2022. As of the date of this letter we have published 25 episodes. To listen to our podcast, go to your favorite podcast app and search for FundingQuest (one word), and subscribe to hear me interview several experts in the field of loan funding for businesses and other topics of business interest.

We recently began publishing excerpts from the podcast interviews in short videos on **YouTube**.



**FundingQuest** **PODCAST**



Search for FundingQuest (one word) on YouTube and you'll find our channel with dozens of clips from these interviews, with more being published regularly.

The objective of these new online marketing efforts is to first provide valuable content for potential customers while also creating greater credibility and brand awareness for our loans through the different mediums of podcasts and videos.

### Rebranding our Lending

For over 15 years, we have used our trademarked lending brand, **Not So Hard Money** to advertise our loans. The catchy name helped us describe our loans as being not quite hard money, but not conforming loans either, and it has served us well over the years.

However, our loan product has been evolving away from hard money and becoming more of an institutional quality bridge loan. Instead of pointing out our loans' similarities to hard money, we needed our marketing efforts to emphasize the fact that American Life Financial is the lending arm of a nearly 70-year-old life insurance company. We realized that we had outgrown our brand and needed a new focus for our loan products.

Focusing on our position as a life insurance company gives us greater credibility in the marketplace and

is a better fit for the larger loans we are now making. We have stopped marketing our NotSoHard-Money.com website and are now using

[www.AmericanLifeFinancial.com](http://www.AmericanLifeFinancial.com).

We have also created this new logo for American Life Financial.



### Loan Origination Goal

In spite of our long history of annual loan originations not exceeding \$20 million, we set an ambitious goal of \$40 million in new loans for 2022.

By expanding our lending nationwide and increasing our loans up to \$10 million, we nearly tripled our goal by making \$57 million in new loans!

We have set our sights even higher this year, with a goal to increase our new loans to \$76 million in 2023.

### In Memory of Steven L Stapley (1936—2022)

In the Company's history, few people have provided more years of service and greater contributions to the Company than Steven L. Stapley. Steven retired in 1999 after 38 years of employment with the Company. Steve provided decades of leadership as both a





Company Officer and a Director. After retiring he continued serving on the Board of Directors for another ten years.

Thank you Steve for your long career of dedicated service and for the countless contributions you provided. We will miss you, but your legacy and influence continue on.

### Your Stock's 2022 Performance

• **Net Taxable Income**  
= \$2,033,000

**+27%**

• **Net Income**  
= \$1,442,000

**+14%**

• **Comprehensive Income**  
= \$1,140,000

**-21%**

• **Dividend Yield**  
= 4.9%

**4.9%**

• **Total Shareholder Return** = 8.9%

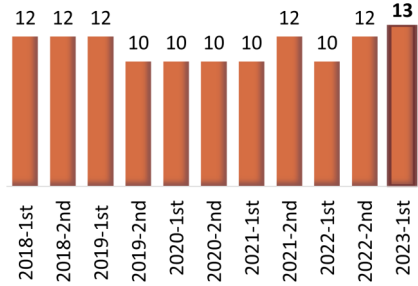
**8.9%**

### 2022 and 2023 Cash Dividends

Shareholders received two cash dividends in 2022 for a total of 22¢ per share. Together, these dividends equal a 4.9% yield on the 12/31/2021 stock book value.

### Semi-Annual Dividends

2018 - Apr 2023 (cents/share)



In addition to the cash dividends, your stock's 2022 book value also increased 4.0%, for a combined Total Shareholder Return of 8.9%.

The Board of Directors has declared **the first semi-annual 2023 dividend to be 13¢ per share**, to be paid on April 12, 2023 to shareholders of record as of March 31st. The Board intends to declare a second dividend in August, to be paid in October. The year 2023 will be **the 41st consecutive year** we have paid cash dividends.

### Annual Shareholders Meeting

All shareholders are invited to attend the 2023 Annual Shareholders Meeting at **9:00 AM on Tuesday, April 25, 2023** at the Company's home office located at **935 E. Main St., Mesa, AZ**. Come join us!

### April 2023

SUN	MON	TUES	WED	THUR	FRI	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

## Opportunity within Uncertainty

With the dramatic changes occurring in the world around us, there is uncertainty about what the future holds. However, we see this uncertainty as an opportunity to continue to grow our time-tested business model and investment strategy. With the decline in bank lending there will be even greater need for our niche bridge loans.

Our investment strategy continues to be primarily investing in conservative commercial real estate bridge loans that we underwrite

and originate ourselves. This strategy has proven successful over many decades and economic cycles and we are confident that this will continue.

Thank you for your trust and support. I look forward to sharing this great Company's continued success with you!

*Sincerely yours,*  


Byron Frihoff Allen, President

## 2022 Board of Directors

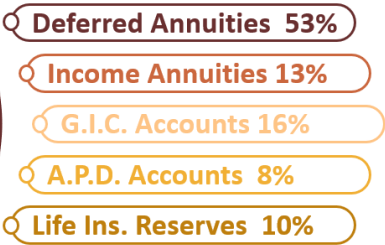
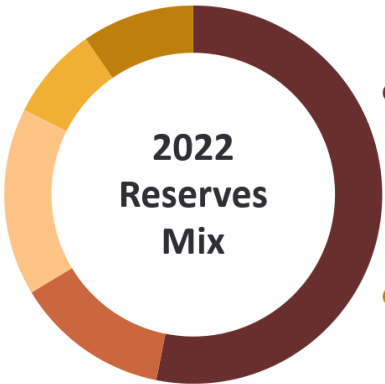
The affairs of the Company are overseen by the elected Board of Directors. The Board ensures the Company is being managed in the best interest of the shareholders through governance policies and oversight of Management.



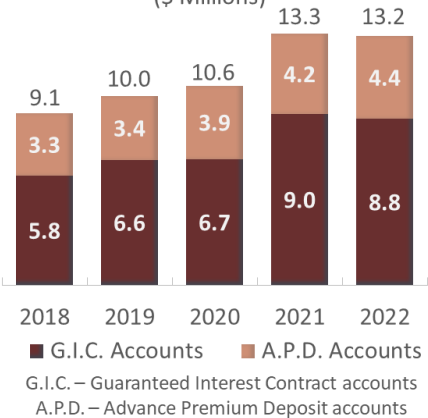
Pictured from left to right (showing year began as Director or Advisor):  
*Back row:* **Tracy C. Allen** (2014); **Byron F. Allen** (2006); **Kurt Tingey** (2012); **Heber E. Allen** (2009) *Front row:* **Craig A. Cardon**, (2019); **Wayne L. Gardner** (2017); **Christopher Stapley** (2020)

# A Graphical Perspective of Our LINES OF BUSINESS

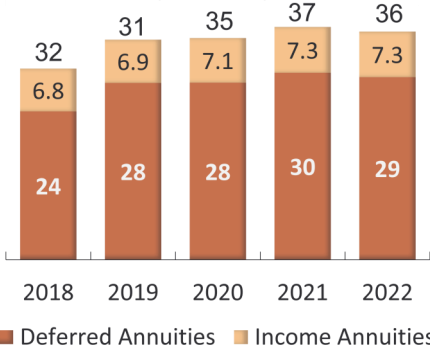
## Life Insurance and Annuities



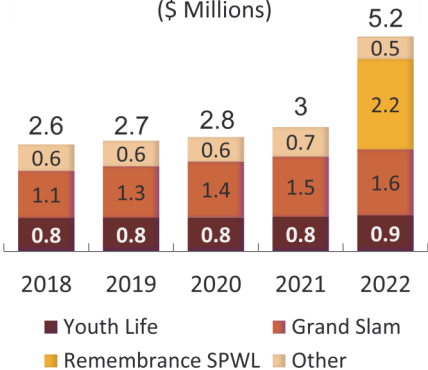
Funds on Deposit by Type  
(\$ Millions)



Annuities by Type  
(\$ Millions)

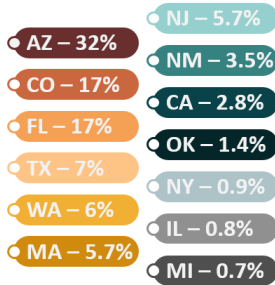
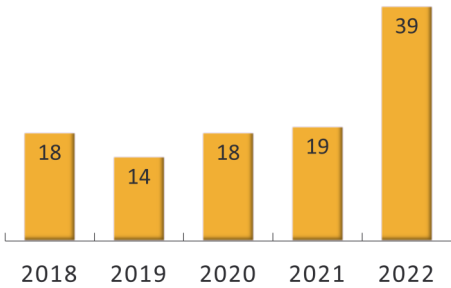


Life Insurance Reserves by Type  
(\$ Millions)

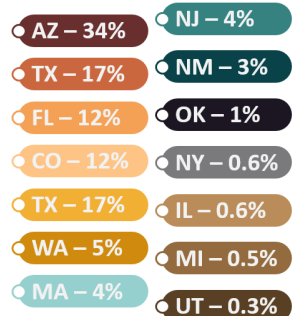
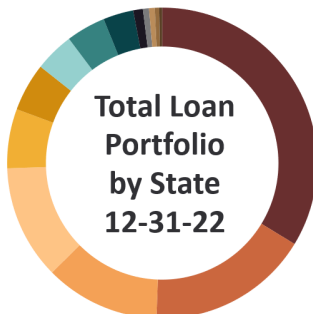
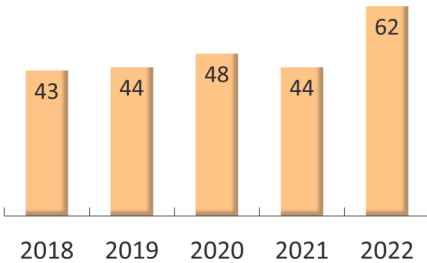


# Mortgage Lending

Annual Loan Originations  
(\$ Millions)

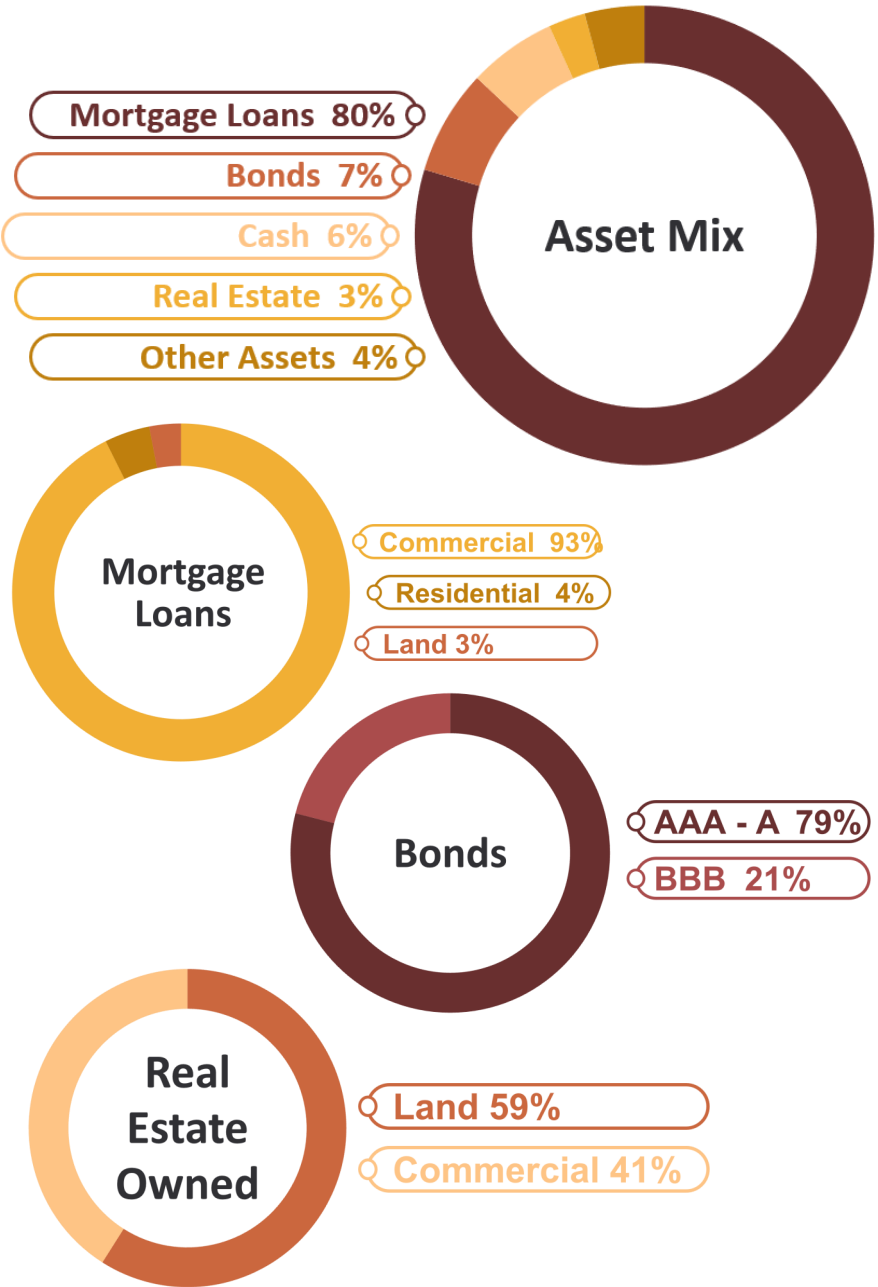


Total Loan Portfolio  
(\$ Millions)

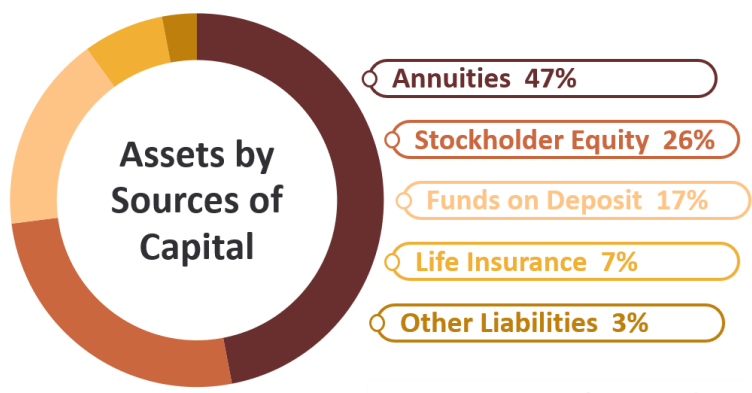


# *A Graphical Perspective of Our* **INVESTED ASSETS**

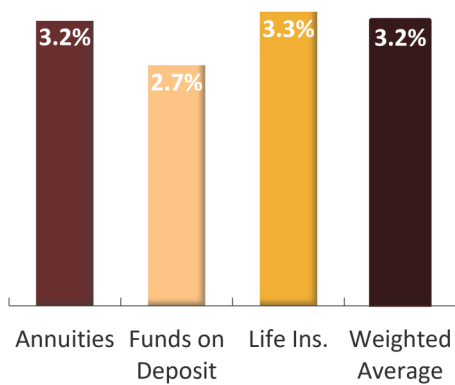
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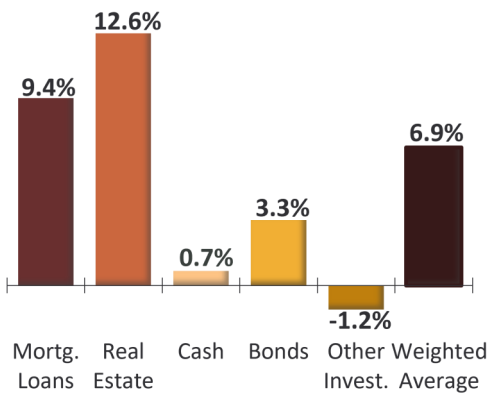
# *Cost of Capital vs.* INVESTMENT YIELDS



Avg. Cost of Capital  
(Policyholder Reserves)



Yields on Investment by Type



Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31: 2022, 2021, 2020, 2019 &, 2018 (UNAUDITED)

	2022	2021	2020	2019	2018
Statement of Operations Data					
Total Revenues	8,971,031	5,560,885	5,643,935	4,997,472	5,975,460
Total Expenses	6,938,325	3,961,535	4,000,937	3,507,247	4,348,324
Net Taxable Income	2,032,706	1,599,349	1,642,997	1,490,225	1,627,136
Net Income	1,441,645	1,268,349	1,215,727	1,338,621	1,650,422
Statement of Financial Position Data					
Total Assets	77,321,255	75,039,776	71,765,999	68,624,827	62,927,817
Total Reserves for Life Ins, Annuities & Deposits	54,983,313	53,505,777	48,930,214	47,855,379	42,219,819
Total Liabilities	57,519,516	55,844,632	52,356,881	49,378,790	43,970,280
Total Shareholders Equity	19,801,739	19,195,144	19,409,118	19,246,036	18,957,537
Per Share Data					
Total Shares Outstanding	4,274,693	4,306,360	4,433,984	4,513,595	4,574,859
Earnings Per Share (EPS)	0.337	0.295	0.274	0.297	0.361
Dividends Per Share (DPS)	0.220	0.220	0.200	0.220	0.240
Book Value (Shareholder Equity) Per Share (BVPS)	4.632	4.457	4.377	4.264	4.144
Key Performance Measurements					
Dividend Yield (DPS / prior-yr. BVPS)	4.94%	5.03%	4.69%	5.31%	5.98%
Investment Yield (net inv. inc. + cap. gains / prior-yr. assets)	8.28%	7.17%	7.51%	7.46%	7.35%
Return on Equity (net income / prior-yr. BVPS)	7.57%	6.73%	6.43%	7.16%	8.99%
Total Shareholder Return (DPS + BVPS incr. / prior-yr. BVPS)	8.86%	6.85%	7.35%	8.21%	9.22%

The Notes on pages 20-26 are an integral part of these financial statements.

# Consolidated Statement of Operations

FOR THE YEARS ENDED DEC. 31: 2022, 2021 & 2020 (UNAUDITED)

<b>REVENUES</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Premiums - Life insurance	2,495,738	290,766	168,206
Premiums - Annuities w/ mortality risk	259,283	125,000	323,505
<u>Investment income net of expenses</u>			
Cash & cash equivalents	180,886	44,740	71,890
Mortgage loans	5,199,722	4,842,888	4,537,965
Real estate owned	-131,156	7,073	-173,140
Marketable securities	152,484	133,712	120,818
Other investment income	-5,653	9,102	13,081
Realized Capital Gains/(Losses)	819,727	107,604	581,609
<b>TOTAL REVENUES</b>	<b>8,971,031</b>	<b>5,560,885</b>	<b>5,643,935</b>
<b>EXPENSES</b>			
Policyholder benefits	252,740	114,614	201,134
Increase in life reserves & loading	2,949,148	690,731	836,398
Policy acquisition costs	292,435	66,076	75,123
Interest on insurance and annuities	1,320,391	1,270,498	1,197,948
<u>General expenses</u>			
Salaries and wages	1,371,036	1,288,724	1,181,589
Employee Benefits & Taxes	250,927	233,224	244,415
Professional fees	238,692	159,592	175,044
Other expenses	181,385	100,130	64,377
Taxes licenses and fees	81,572	37,947	24,910
<b>TOTAL EXPENSES</b>	<b>6,938,325</b>	<b>3,961,536</b>	<b>4,000,937</b>
<b>NET TAXABLE INCOME</b>	<b>2,032,706</b>	<b>1,599,349</b>	<b>1,642,997</b>
Federal Income Tax	-591,061	-331,000	-427,270
<b>NET INCOME</b>	<b>1,441,645</b>	<b>1,268,349</b>	<b>1,215,727</b>
Net Income per share	\$0.337	\$0.295	\$0.274
<b>OTHER COMPREHENSIVE INCOME (OCI)</b>			
Unrealized gain/(loss) on common stocks	-381,533	227,448	130,371
Unrealized gain/(loss) on partnerships	0	0	0
Federal Income Tax on OCI Items	80,122	-47,764	-27,378
OCI, net of tax	-301,411	179,684	102,993
<b>COMPREHENSIVE INCOME</b>	<b>1,140,234</b>	<b>1,448,033</b>	<b>1,318,720</b>
Total shares outstanding	4,274,693	4,306,360	4,433,984
Comprehensive Income per share	\$ 0.267	\$ 0.336	\$ 0.297

The Notes on pages 20-26 are an integral part of these financial statements.

# Consolidated Statement of Financial Position

FOR THE YEARS ENDED DEC 31: 2022, 2021, & 2020 (UNAUDITED)

ASSETS	2022	2021	2020
Cash and cash equivalents	4,787,183	19,956,455	11,085,503
Bonds	5,707,605	4,431,894	4,946,497
Common & preferred stock	1,385,829	1,788,785	1,512,649
Policy loans	99,221	92,818	93,590
Mortgage loans	61,571,796	43,545,683	48,388,016
Real estate investments	2,011,007	4,111,903	4,431,559
<b>TOTAL CASH &amp; INVESTED ASSETS</b>	<b>75,562,640</b>	<b>73,927,539</b>	<b>70,457,815</b>
Accrued interest & deposits	532,939	413,107	445,036
Deferred policy acquisition asset	277,710	337,180	361,692
Land, building & office equipment	316,014	269,101	244,307
Deferred tax asset	631,952	92,849	257,149
<b>TOTAL ASSETS</b>	<b>77,321,255</b>	<b>75,039,776</b>	<b>71,765,999</b>
LIABILITIES			
Reserve for life policies	5,345,519	3,112,504	2,891,375
Reserve for annuities	36,375,156	37,091,460	35,477,955
Funds on deposit (APD/GIC)	13,262,638	13,301,814	10,560,884
Expenses due & accrued and other	416,318	250,309	265,805
Amounts held by ASLIC for others	2,119,885	2,088,545	3,160,862
<b>TOTAL LIABILITIES</b>	<b>57,519,516</b>	<b>55,844,632</b>	<b>52,356,881</b>
SHAREHOLDERS EQUITY			
Capital stock	932,415	931,690	931,061
Capital stock in excess of par	2,781,625	2,750,311	2,723,745
Retained earnings	24,292,252	23,558,248	23,274,614
Less treasury stock	-8,204,554	-8,045,104	-7,520,301
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>19,801,739</b>	<b>19,195,144</b>	<b>19,409,118</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>77,321,255</b>	<b>75,039,776</b>	<b>71,765,999</b>
Shares Outstanding	4,274,693	4,306,360	4,433,984
Equity Value Per Share	\$ 4.632	\$4.46	\$4.38

# Consolidated Statement of Cash Flow

FOR THE YEARS ENDED DEC 31: 2022, 2021, & 2020 (UNAUDITED)

OPERATING ACTIVITIES	2022	2021	2020
<i><u>Funds provided from operations</u></i>			
Premiums received and annuity increases	5,629,416	2,596,480	2,343,101
Net investment income (excl. realized gains)	5,173,685	4,524,358	4,204,223
<i>Total funds provided from operations</i>	<b>10,803,101</b>	7,120,838	6,547,323
<i><u>Funds used in operations</u></i>			
Benefits and loss related payments	-5,747,295	-2,486,175	-3,684,603
Commissions & other expenses & taxes paid (excluding federal income taxes)	-1,891,551	-1,447,834	-1,288,879
Dividends paid to policyholders	-59,963	-56,741	-52,670
Federal income taxes paid (excl. capital gains tax)	-633,476	-300,000	-435,901
<i>Total funds (used) in operations</i>	<b>-8,332,285</b>	-4,290,750	-5,462,054
<i>Net cash provided from operations</i>	<b>2,470,816</b>	2,830,088	1,085,269
<b>INVESTING ACTIVITIES</b>			
<i><u>Funds provided from investments sold, matured or repaid</u></i>			
Bonds	282,954	896,691	715,535
Stocks	215,850	354,236	408,931
Mortgage Loans	20,072,984	24,072,917	12,840,615
Real Estate	2,827,902	974,012	2,357,337
Other invested assets	0	0	0
<i>Total investment proceeds before capital gains tax</i>	<b>23,399,690</b>	26,297,856	16,322,418
<i><u>Cost of investments acquired</u></i>			
Bonds, Mutual Funds & long term CD's	-1,616,334	-475,112	-983,864
Stocks	-213,428	-311,861	-432,025
Mortgage Loans	-38,090,618	-19,644,197	-18,398,600
Real Estate and other invested assets	-40,583	-206,731	-140,629
<i>Total cost of investments acquired</i>	<b>-39,960,963</b>	-20,637,901	-19,955,119
(Increase) Decrease in policy loans	198,310	234	17,026
<i>Net cash provided by investment activities</i>	<b>-16,362,963</b>	5,660,189	-3,615,675
<b>FINANCING ACTIVITIES</b>			
<i><u>Funds provided from (used for) financing activities</u></i>			
Capital and paid in surplus net of treasury stock	-127,410	-497,607	-303,472
Net deposits on deposit-type contracts	-104,667	2,864,247	728,531
Cash dividends paid	-946,173	-961,738	-887,962
Other cash provided (applied)	-101,365	-1,032,387	1,913,057
<i>Net cash from (used for) financing activities</i>	<b>-1,279,615</b>	372,515	1,450,155
Increase (Decr.) in cash & short-term investments	<b>-15,171,762</b>	8,862,792	-1,080,251
Cash & short-term investments, beg. of year	<b>19,958,945</b>	11,096,154	12,176,404
Cash & short-term investments, end of year	<b>4,787,183</b>	19,958,945	11,096,154

The Notes on pages 20-26 are an integral part of these financial statements.

# Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED DEC 31: 2022 AND 2021 (UNAUDITED)

	Capital Stock	Capital In Excess of Par	Unassigned Surplus	Treasury Stock	Total
<b>BALANCES, December 31, 2020</b>	<b>931,061</b>	<b>2,723,745</b>	<b>23,274,614</b>	<b>-7,520,301</b>	<b>19,409,118</b>
Comprehensive income			1,448,183		1,448,183
Dividends declared & accrued			-961,738		-961,738
Issue employee compensation in stock	629	26,566			27,195
Repurchase Capital Stock (Treasury)				-524,803	-524,803
Change in Nonadmitted Assets			-202,662		-202,662
<b>BALANCES, December 31, 2021</b>	<b>931,690</b>	<b>2,750,311</b>	<b>23,558,397</b>	<b>-8,045,104</b>	<b>19,195,293</b>
Comprehensive income			1,140,234		1,140,234
Dividends declared & accrued			-946,173		-946,173
Issue employee compensation in stock	725	31,315			32,040
Repurchase Capital Stock (Treasury)				-159,450	-159,450
Change in Nonadmitted Assets			539,795		539,795
<b>BALANCES, December 31, 2022</b>	<b>932,415</b>	<b>2,781,626</b>	<b>24,292,252</b>	<b>-8,204,554</b>	<b>19,801,738</b>

*The Notes on pages 20-26 are an integral part of these financial statements.*

# Notes to the Consolidated Financial Statements

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## (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 \$1,978,465 at year end 2022 and \$561,625 at year end 2021.

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, 2022 and December 31, 2021, 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.

**(3) 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.

**(4) 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 \$0 and \$6,497 at December 31, 2022 and 2021, respectively. The money market funds utilized by the Company invest in short-term U.S. government and agency securities.

**Bonds:** The amortized cost of bonds as of December 31, 2022 and 2021, by investment grade are as follows:

	2022		2021	
	Amortized Cost	% of Total	Amortized Cost	% of Total
<b>Bonds:</b>				
AAA - A	\$ 4,525,062	79%	\$ 3,362,499	76%
BBB	1,182,543	21%	1,069,395	24%
BB	0	0%	0	0%
B	0	0%	0	0%
Total bonds	\$ 5,707,605	100%	\$ 4,431,894	100%

## Notes to the Consolidated Financial Statements

The amortized cost, unrealized holding gain/ losses, and fair value for all fixed income securities owned as of December 31,2022 are shown below:

December 31,2022	Amortized Cost	Unrealized holding gains/losses	Fair Value
U.S. government - residential mortgage - backed securities	834,690	-82,546	752,144
U.S. Special Revenue - Issuer Obligations	1,911,514	-121,982	1,789,532
U.S. Special Revenue - residential mortgage - backed securities	66,951	-11,043	55,908
Corporate debt securities	2,894,449	-427,260	2,467,189
<b>Total</b>	<b>\$ 5,707,604</b>	<b>\$ -642,831</b>	<b>\$ 5,064,773</b>

**Mortgage Loans** consist of commercial, consumer and purchase money loans collateralized by real estate. The Company's lending policies allow for loans up to 70% of appraised values at interest rates from 6.50% or more and terms ranging from one to 15 years. The weighted average lending rates for mortgage loans during 2022 and 2021 were 7.8% and 7.7%, respectively. At December 31, 2022 and 2021, the distribution of the mortgage loan portfolio by property type and state are as follows:

	2022		2021	
	Amount	% of Total	Amount	% of Total
<b><u>Property type</u></b>				
Commercial	\$ 57,043,911	93%	\$ 38,539,807	89%
Residential	2,669,100	4%	4,964,601	11%
Land	1,858,785	3%	41,274	0%
Total mortgage loans	\$ 61,571,796	100%	\$ 43,545,683	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 90 days delinquent). No loans required a specific valuation allowance as of December 31, 2022 and 2021.

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

	2022		2021	
	Amount	Value of Land and Buildings	Amount	Value of Land and Buildings
<b>Mortgages:</b>				
In good standing	\$ 61,331,744	\$ 167,615,000	\$ 39,651,927	\$ 101,351,000
Greater than 90 days past due	240,052	425,000	3,140,846	6,590,000
In foreclosure, interest accruing	0	0	752,909	1,500,000
Total mortgage loans	\$ 61,571,796	\$ 168,040,000	\$ 43,545,683	\$ 109,441,000

**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, 2022.

## Notes to the Consolidated Financial Statements

	Balance 12/31/21	Additions	Retirements	Balance 12/31/22
<b>Investments:</b>				
<b>Level 1 investments:</b>				
Unaffiliated common stock	1,788,785	168,478	-571,435	<b>1,385,829</b>
Certificates of deposit	255,496	0	-255,496	<b>0</b>
Total Level 1	2,044,281	168,478	-826,931	<b>1,385,828</b>
<b>Level 3 Investments:</b>				
Mortgage loans	43,545,683	38,058,900	-20,032,787	<b>61,571,796</b>
Real estate investments	4,111,903	0	-2,100,896	<b>2,011,007</b>
Partnership interests	0	0	0	<b>0</b>
Policy contract loans	92,818	14,997	-8,594	<b>99,221</b>
Total level 3	47,750,405	38,073,897	-22,142,277	<b>63,682,024</b>
Total Investments	\$ 49,794,685	\$ 38,242,375	\$ -22,969,208	<b>\$ 65,067,853</b>
<b>Money market and checking accounts</b>				4,787,183
<b>Bonds carried at amortized cost</b>				5,707,605
<b>Total cash and investments</b>				<b>\$ 75,562,641</b>

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.

### (5) 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, 2022 and 2021 are as follows:

<b>Reserve for life policies:</b>	<b>2022</b>	<b>2021</b>
Grand Slam policies	<b>\$ 1,607,425</b>	\$ 1,466,184
Youth Life policies	<b>880,081</b>	846,890
Other life insurance policies	<b>2,782,271</b>	719,550
Total reserve for life policies	<b>5,269,777</b>	3,032,624
Policy claims pending	<b>6,000</b>	13,362
Provision for policyholder's dividends	<b>63,877</b>	61,088
Premiums received in advance	<b>5,865</b>	5,430
Total net reserve for life policies	<b>\$ 5,345,519</b>	\$ 3,112,504

## (6) 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, 2022 and 2021 are as follows:

Reserve for annuities	2022	2021
Life-contingent immediate annuities	\$ 4,723,657	\$ 4,701,218
Fixed period immediate annuities	2,532,546	2,598,031
Deferred annuities	29,118,953	29,792,211
Total reserve for annuities	\$ 36,375,156	\$ 37,091,460

## (7) 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, 2022 and 2021 are as follows:

Funds on deposit	2022		2021	
	Amount	Interest Rate	Amount	Interest Rate
Advance Premium Deposits	\$ 4,376,410	4%	\$ 4,238,086	4%
Guaranteed Interest Contracts	8,795,394	2%	9,045,653	2%
Guaranteed Interest Accounts	79,196	3%	7,009	3%
Dividends on Deposit	11,639	4%	11,063	4%
Total Funds on deposit	\$ 13,262,638		\$ 13,301,814	

## (8) 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, 2022 and 2021 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 3.25%.

## (9) 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, 2022 and 2021:

	2022	2021
Capital	\$ 932,415	\$ 931,690
Free surplus	\$ 18,869,324	\$ 18,263,454

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 2022 and 2021:

	2022	2021
# of shares purchased	38,910	133,918
Low price	\$ 4.01	\$ 3.91
High price	\$ 4.16	\$ 4.07

On February 28, 2023, the Board of Directors declared a cash dividend of 13.0 cents per share. The distribution will be made on April 12, 2023 to stockholders of record on March 31, 2023. A second semi-annual dividend is expected to be declared by the Board in August and paid in October.

## (10) 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 \$98,327 for 2022 and \$95,004 for 2021.

**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 2022, 7,247 shares of Company common stock were purchased under the plan for a total of \$32,039. The October 2022 enrollment stock price was \$4.56 and as of December 31, 2022, \$6,766 of employee and directors compensation had been set aside for stock purchase.

The components of employee benefits and taxes at December 31, 2022 and 2021 are as follows:

Employee benefits & taxes	2022	2021
Profit sharing plan	\$ 98,327	\$ 95,004
Employee welfare	45,989	41,972
Payroll taxes	106,611	96,248
Total employee benefits & taxes	\$ 250,927	\$ 233,224

### **(11) 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, 2022 and 2021, 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 0.06% and 0.70% of total premiums paid in 2022 and 2021, respectively. Company officers and directors also owned 0.41% and 1.30% of total policy face value in 2022 and 2021, respectively.
- b) Byron F. Allen is the President of the Company and also the Administrator and Co-Trustee of the Company's Profit Sharing Plan.
- c) E. Paul Whetten is the Executive Vice President of the Company and also the Co-Trustee of the Company's Profit Sharing Plan.
- d) The following members of the Board of Directors have provided additional consulting services for the Company during the year, for which they receive additional compensation: Heber E. Allen.

### **(12) 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.

### **(13) UNCERTAIN TAX POSITIONS**

Since 2010, the Company has 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, 2021, no uncertain tax positions have been identified and accordingly, no provision has been made.

### **(14) 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).

## Notes to the Consolidated Financial Statements

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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 (\$1.9 million) and Interest Maintenance Reserves (\$10). The 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:

	2022 <u><i>Stockholders</i></u> Financial Statements	2022 <u><i>Statutory</i></u> Financial Statements
Total Assets	\$ 77,321,255	\$ 75,348,011
Total Liabilities	\$ 57,519,516	\$ 59,071,496
Total Stockholders' Equity	\$ 19,801,739	\$ 16,276,515
Equity per Share	\$ 4.63	\$ 3.81
Annual Net Income	\$ 1,140,234	\$ 1,114,697
Net Income per Share	\$ 0.34	\$ 0.26

**After May 31, 2023, the 2022 audited statutory financial statements will be available on the Company's website: [www.AmericanSavingsLife.com/stock](http://www.AmericanSavingsLife.com/stock).**

### (15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 1, 2023, 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.**



AMERICAN SAVINGS  
LIFE INSURANCE COMPANY

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