

POLISH FALCONS OF AMERICA

Audited Financial Statements
(Statutory Basis)

For the Years Ended December 31, 2021 and 2020

POLISH FALCONS OF AMERICA

Audited Financial Statements (Statutory Basis)

For the Years Ended December 31, 2021 and 2020

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McKeever Varga & Senko

*Certified Public Accountants
Personal Financial Planners
Business Consultants*

Independent Auditor's Report

To the Board of Directors
POLISH FALCONS OF AMERICA
Pittsburgh, Pennsylvania

Opinion

We have audited the accompanying statutory basis financial statements of the Polish Falcons of America (a Pennsylvania non-profit corporation), which comprise the statutory basis statements of admitted assets, liabilities and surplus as of December 31, 2021 and 2020, and the related statutory basis statements of operations, changes in capital and surplus and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Polish Falcons of America as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with the financial reporting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Polish Falcons of America and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the statutory basis financial statements, which describes the basis of accounting. As described in Note 1 to the statutory financial statements, the statutory basis financial statements are prepared on the basis of the financial reporting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with requirements of Insurance Department of the Commonwealth of Pennsylvania. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with the financial reporting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania, and is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of statutory basis financial statements that are free from material misstatement, whether due to error or fraud.

To the Board of Directors
POLISH FALCONS OF AMERICA
Continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory basis financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory basis financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Polish Falcons of America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory basis financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Polish Falcons of America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the Polish Falcons of America and Insurance Department of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

May 31, 2022
Pittsburgh, Pennsylvania

Audited Financial Statements
(Statutory Basis)

POLISH FALCONS OF AMERICA

Statutory Basis Statements of Admitted Assets, Liabilities and Surplus

December 31, 2021 and 2020

Admitted Assets

	2021	2020
Cash and invested assets:		
Bonds - at amortized cost (fair value \$42,312,442 and \$40,998,762, respectively)	\$ 36,728,734	\$ 34,167,604
Preferred stocks - at cost (fair value \$-0- and \$115,184, respectively)	-	100,519
Common stocks at fair value	81,705	113,922
Properties held for the production of income	-	1,066,461
Properties held for sale	968,996	-
Contract loans	138,872	134,458
Cash, cash equivalents and short-term investments	1,317,921	1,500,360
Other invested assets	428,039	398,483
Aggregate write-ins for invested assets	-	-
Total cash and invested assets	<u>39,664,267</u>	<u>37,481,807</u>
Interest income due and accrued	519,739	500,297
Receivables from parent, sub and affiliate	148,570	235,278
Other receivables	-	5,543
Amounts recoverable from reinsurers	330,868	80,710
Electronic data processing equipment and software	3,617	3,657
Premiums earned and uncollected	<u>8,954</u>	<u>7,579</u>
Total admitted assets	<u><u>\$ 40,676,015</u></u>	<u><u>\$ 38,314,871</u></u>

The accompanying notes are an integral part of these statutory basis financial statements.

POLISH FALCONS OF AMERICA

Statutory Basis Statements of Admitted Assets, Liabilities and Surplus (Continued)

December 31, 2021 and 2020

Liabilities and Surplus

	2021	2020
Liabilities:		
Aggregate reserve for life certificates and contracts	\$ 32,503,770	\$ 30,520,955
Aggregate reserve for accident and health contracts	639,688	1,187
Amounts withheld or retained by Society as agent or trustee	2,597,925	2,586,959
Contract claims - life	446,024	622,733
Contract claims - accident and health	69,496	6,603
Interest maintenance reserve	2,429,075	2,641,060
Premiums unearned and collected	6,238	4,673
Commissions due or accrued	19,312	21,271
Minor Trust fund	100,691	109,911
General expenses due or accrued	64,668	122,536
Medicare supplement due to TPA	-	1,491
Borrowed money	-	170,233
Asset valuation reserve	293,032	296,135
Remaining write-ins	<u>80,448</u>	<u>21,786</u>
Total liabilities	<u>39,250,367</u>	<u>37,127,533</u>
Surplus:		
Unassigned funds	<u>1,425,648</u>	<u>1,187,338</u>
Total liabilities and surplus	<u><u>\$ 40,676,015</u></u>	<u><u>\$ 38,314,871</u></u>

The accompanying notes are an integral part of these statutory basis financial statements.

POLISH FALCONS OF AMERICA

Statutory Basis Statements of Operations

For the Years Ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Premiums and annuity considerations	\$ 2,814,699	\$ 3,030,421
Net investment income	1,732,923	1,728,543
Amortization of interest maintenance reserve	218,623	246,355
Commissions on reinsurance ceded	325,750	327,056
Reserve adjustment on reinsurance ceded	477,845	(519,540)
Miscellaneous income	196,799	310,591
Total revenues	5,766,639	5,123,426
Benefits and expenses:		
Benefits paid or provided:		
Policyholder benefits	1,669,893	2,818,344
Increase in certificate reserves	2,423,046	556,551
Total benefits paid or provided	4,092,939	3,374,895
Operating expenses:		
Commissions	118,608	88,374
General expenses - insurance and fraternal	1,474,156	1,441,530
Taxes, licenses and fees	95,765	120,284
Total operating expenses	1,688,529	1,650,188
Total benefits and expenses	5,781,468	5,025,083
Net income (loss) from operations before refunds received from (paid to) to members	(14,829)	98,343
Refunds received from (paid to) members	(1,110)	(532)
Net income (loss) from operations before net realized capital gains (losses)	(15,939)	97,811
Net realized capital gains (losses)	136,240	-
Net income (loss)	\$ 120,301	\$ 97,811

The accompanying notes are an integral part of these statutory basis financial statements.

POLISH FALCONS OF AMERICA

Statutory Basis Statements of Changes in Capital and Surplus

For the Years Ended December 31, 2021 and 2020

	2021	2020
Unassigned funds:		
Balance at beginning of year	\$ 1,187,338	\$ 1,380,794
Additions (deductions):		
Net income (loss)	120,301	97,811
Change in net unrealized capital gains (losses)	(33,204)	(71,396)
Change in asset valuation reserve	3,103	(30,649)
Change in non-admitted assets	(102,893)	(90,225)
Change to surplus as a result of reinsurance	(98,997)	(98,997)
Fraternal affiliated donation	350,000	-
Net change in unassigned funds	238,310	(193,456)
Total unassigned funds at end of year	\$ 1,425,648	\$ 1,187,338

The accompanying notes are an integral part of these statutory basis financial statements.

POLISH FALCONS OF AMERICA

Statutory Basis Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash from operations:		
Premiums collected net of reissuance	\$ 2,804,383	\$ 3,040,626
Net investment income	1,735,119	1,826,369
Miscellaneous income	336,169	419,414
Total cash provided by operations	4,875,671	5,286,409
Benefit and loss related payments	(1,357,751)	(1,541,602)
Commissions, expenses paid and aggregate write-ins for deductions	(1,695,804)	(1,392,399)
Dividends to policyholders	-	(532)
Total cash applied to operations	(3,053,555)	(2,934,533)
Net cash from (used in) operations	1,822,116	2,351,876
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	1,878,186	1,982,750
Stocks	176,383	12,500
Real estate	462,953	-
Total investment proceeds	2,517,522	1,995,250
Cost of investments acquired (long term only):		
Bonds	(4,548,263)	(3,172,942)
Stocks	(30,249)	(70,829)
Real estate	(72,000)	(3,772)
Total investments (acquired)	(4,650,512)	(3,247,543)
Net increase (decrease) in contract loans	4,414	8,523
Net cash from (used in) investments	(2,137,404)	(1,260,816)

The accompanying notes are an integral part of these statutory basis financial statements.

POLISH FALCONS OF AMERICA

Statutory Basis Statements of Cash Flows (Continued)

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash from financing and miscellaneous sources:		
Borrowed funds	-	169,102
Other cash provided (applied)	<u>132,849</u>	<u>(117,534)</u>
Net cash from (used in) financing and miscellaneous sources	<u>132,849</u>	<u>51,568</u>
Net change in cash, cash equivalents and short-term investments	(182,439)	1,142,628
Cash, cash equivalents and short-term investments, beginning of year	<u>1,500,360</u>	<u>357,732</u>
Cash, cash equivalents and short-term investments, end of year	<u>\$ 1,317,921</u>	<u>\$ 1,500,360</u>

The accompanying notes are an integral part of these statutory basis financial statements.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

A. Organizational Purpose and Nature of Operations

The Polish Falcons of America (the “Society”) is a fraternal benefit society incorporated under the laws of the Commonwealth of Pennsylvania. The purpose of the Society is to promote, develop and maintain the Polish heritage through social, cultural, educational and physical activities; to provide benefits for its members through insurance, endowment, and annuity programs; and to organize, create and establish in Pennsylvania, other states of the United States of America and other countries, subordinate lodges and branches called Nests.

B. Basis of Presentation

The Society prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania (the “Department”). The Department recognizes only statutory accounting practices prescribed or permitted by the Commonwealth of Pennsylvania for determining and reporting financial condition and results of operations of an insurance company. The National Association of Insurance Commissioners’ (“NAIC”) promulgates the Accounting Practices and Procedures Manual (“NAIC SAP”), which includes accounting guidelines referred to as Statements of Statutory Accounting Principles (“SSAP’s”). The Commissioner of the Pennsylvania Insurance Department has the right to permit specific practices that deviate from the NAIC SAP.

Preparation of financial statements under this accounting practice is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The more significant differences between statutory accounting principles and GAAP are as follows:

- a) Bonds are carried at amortized cost, whereas GAAP generally reports bonds at fair value.
- b) Acquisition costs, such as commissions and other costs in connection with acquiring new business, are charged to current operations as incurred, whereas the premiums are taken into earnings over the premium paying period of the policies.
- c) Unrealized gains and losses on investments not included in the interest maintenance reserve are credited (charged) to unassigned surplus.
- d) The asset valuation reserve is reported as a liability rather than as an appropriation of surplus. The balance at December 31, 2021 and 2020 was \$293,032 and \$296,135, respectively.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

- e) Certain assets designated as "non-admitted assets" have been charged to surplus.
- f) Realized capital gains and losses must be amortized to their original date of maturity and are represented as a liability in the interest maintenance reserve. The unamortized balance at December 31, 2021 and 2020 was \$2,429,075 and \$2,641,060, respectively. When the gains or losses are interest related and the call is past the expected maturity date the Society recognizes the gains and losses in the Statutory Basis Statement of Operations. The first call date of most of the Society's bonds were the yield-to-worst dates and therefore the "expected maturity" by definition. As of December 31, 2021 and 2020 the Society recognized gains of \$136,240 and \$-0- respectively to the Statutory Statements of Operations.
- g) Fair value is required to be used in the determination of the expected return on the plan assets component of the net periodic benefit cost of pension obligations, whereas under U.S. GAAP, the market-related value of plan assets is used.
- h) The financial statements of the Falcons Community Holdings, LLC have not been consolidated, although the Fraternal is the sole member of the LLC. The investment in the Falcons Community Holdings, LLC is recorded on the equity method, and the loss of the investment in subsidiary is shown as a reduction to unassigned funds instead of a reduction to income.

The aggregate effect of the foregoing differences from U.S. GAAP has not been determined.

C. Cash, Cash Equivalents and Short-Term Investments

Cash includes cash, cash on deposit and cash equivalents. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the date of purchase and are stated at amortized cost.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

D. Investments

Bonds are stated at amortized cost. Bonds in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. If it is determined that a decline in the fair value of a bond is other-than temporary, the cost basis of the bond is written down to fair value and the amount of the write down is accounted for as a realized loss. The new cost basis is not changed for subsequent recoveries in fair value. Preferred stocks are stated at amortized cost or association value unless that have an NAIC designation of 4, 5 or 6 which are stated at the lower of amortized cost or fair value in accordance with the National Association of Insurance Commissioners (NAIC) procedures. Approximate market values do not impair the value of such securities because the portfolio is held for a long-term investment and there is no need to dispose of the securities to meet the needs of the Society. Common stocks are stated at fair value.

Investments in uncombined subsidiaries and affiliates in which the society has an interest of 20% or more are carried on the equity basis. The Society carries their investment in Falcons Community Holdings, LLC, a non-insurance company, in accordance with SSAP No. 48, which requires an equity method for all such investments. The Society's investment in the limited liability company at December 31, 2021 and 2020 was \$29,262 and \$76,383, respectively. During 2021, the investment was reclassified from common stock at fair value to other invested assets.

The contract loans are stated at the aggregate unpaid balances. The carrying value of certificate loans does not exceed the cash surrender value of the related certificate.

E. Income Taxes

No provision has been made for income taxes because the Society is exempt from Federal income taxes under the provisions of Internal Revenue Code Section 501(c)(8). The Society's IRS Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

F. Investment Valuation Reserves

Investment valuation reserves are calculated in accordance with statutory accounting requirements and are comprised of two elements. An interest maintenance reserve requires deferral of certain realized capital gains and losses with amortization into income over the approximate original remaining life of the investments sold. The second element is the asset valuation reserve which is computed based on the Society's investments in short-term securities, bonds, preferred stocks, real estate, and contract loans, considering quality ratings of the investments and reserving factors specified by the NAIC. Calculation of the maximum asset valuation reserve takes into account annual realized and unrealized gains/losses on the investment portfolio and also involves a phase-in period to accumulate the maximum statutory reserve balance. Thus, the maximum reserve fluctuates annually based in part on general market conditions. Increases or decreases to the asset valuation reserve are reported as direct adjustments to surplus in the statutory basis Statements of Changes in Capital and Surplus.

G. Revenue Recognition

Premium income is taken into income over the premium paying period of the certificate, and the related acquisition and commission costs are charged to operations when incurred. Annuity considerations are recognized as revenue when received. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Medicare supplement plan premiums and claims are recognized as revenue and expenses in accordance with the Society's treaty with Sentinel Security Life whereby the Society retains 10% of all premiums, claims and expenses. As mentioned in Note 23. to the Statutory basis financial statements, the Society terminated its reinsurance relationship with Sentinel Security Life on July 1, 2021.

H. Capitalization Policy for Fixed Assets

The Society threshold amount for capitalization of real property additions is \$500. Any items costing below the threshold are expensed as repairs and maintenance in the Society's financial statements. Real property acquisitions that meet the above criteria for capitalization are recorded at historical cost as of the date acquired and are depreciated using a straight-line method over a period ranging from 3 to 50 years. Personal property such as furniture, fixtures, and other equipment must be considered liquid in order to be an admitted asset. Electronic data processing equipment ("EDP") equipment, computer software which qualify for capitalization are depreciated over the lesser of useful life or three years.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 2. Concentration of Credit Risk

The Society maintains its cash, cash equivalents and short-term investments at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. As of December 31, 2021 and 2020, the Society's uninsured cash and short-term investment balance totaled \$944,703 and \$1,234,030 respectively. The Society has not experienced any losses in such accounts. Management believes the Society is not exposed to any significant credit risk related to cash.

Note 3. Use of Estimates

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The life certificates and contract reserves are calculated based on various actuarial assumptions that could change in the near term.

Note 4. Reclassifications

For the year ended December 31, 2021, the Society, within the scope of SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, reclassified its investment in the wholly owned subsidiary, Falcon Community Holdings, LLC, from that of Common Stock recorded at fair market value to Other Invested Assets. The reclassification had no impact on the Statutory Basis Statement of Admitted Assets, Liabilities and Surplus as of December 31, 2021, or the related Statutory Basis Statements of Operations, Changes in Capital and Surplus and Cash Flows for the year ended December 31, 2021.

Except as noted above, the financial statement presentation for the fiscal year ended December 31, 2020, has been reclassified to conform with the presentation for the fiscal year ended December 31, 2021.

Note 5. Risk-Based Capital

The Society's statutory capital exceeds the benchmark capital level under the Risk Based Capital (RBC) formula. RBC is a method for establishing the minimum amount of capital appropriate for a Society to support its overall business operations in consideration of its size and risk profile. As of December 31, 2021 and 2020, the Society's RBC authorized control level was \$532,515 and \$513,125, respectively and the total adjusted capital was \$1,718,680 and \$1,483,473, respectively.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 6. Interest Maintenance Reserve

Interest maintenance reserve (IMR) is an item reflecting a portion of the accounting mandated by the NAIC in reporting realized capital gains and losses on bonds. During 2021 and 2020, the Society had realized capital gains (losses) in the amount of \$6,638 and \$(47,556), respectively. In accordance with the statutory basis of reporting, \$218,623 and \$246,354, respectively will be amortized based on the original date of maturity for the bonds and is scheduled as a deferred (credit) or liability on the Statutory Statements of Admitted Assets, Liabilities and Surplus.

IMR consisted of the following at December 31:

	2021	2020
Balance at January 1	\$ 2,641,060	\$ 2,934,970
Capital gain (loss)	6,638	(47,556)
Amortization	(218,623)	(246,354)
Balance at December 31	<u>\$ 2,429,075</u>	<u>\$ 2,641,060</u>

Note 7. Investments

Bond and preferred stock investments are presented in accordance with valuations prescribed by the NAIC. As a summary of bond amortized values, the fair market values and investment costs for the years ended December 31 are as follows:

December 31, 2021:

	Amortized Value	Fair Value	Actual Cost
Bonds	<u>\$ 36,728,734</u>	<u>\$ 42,312,442</u>	<u>\$ 37,270,773</u>
Preferred stock	<u>-</u>	<u>-</u>	<u>-</u>
Common stock	<u>81,705</u>	<u>81,705</u>	<u>63,579</u>

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 7. Investments (Continued)

December 31, 2020:

	Amortized Value	Fair Value	Actual Cost
Bonds	<u>\$ 34,167,604</u>	<u>\$ 40,988,762</u>	<u>\$ 34,613,837</u>
Preferred stock	<u>100,519</u>	<u>115,184</u>	<u>100,000</u>
Common stock	<u>113,922</u>	<u>113,922</u>	<u>528,877</u>

Note 8. Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value establishes a measurement framework that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques into three levels. Each level reflects a unique description of the inputs that are significant to the fair value measurements. The levels of the fair value hierarchy are as follows:

Level 1 – Observable inputs in the form of quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be derived from observable market data for substantially the full term of the assets or liabilities.

Level 3 – One or more unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using internal models, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 8. Fair Value Measurements (Continued)

Fair values reported at December 31, 2021 and 2020:

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Common stocks:				
Industrial and miscellaneous	\$ 81,705	\$ -	\$ -	\$ 81,705
Other invested asset - parent, subsidiary, and affiliate	-	-	29,262	29,262
Cash and cash equivalents	<u>1,317,921</u>	<u>-</u>	<u>-</u>	<u>1,317,921</u>
Total	<u><u>\$ 1,399,626</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,262</u></u>	<u><u>\$ 1,428,888</u></u>
	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Common stocks:				
Industrial and miscellaneous	\$ 37,539	\$ -	\$ -	\$ 37,539
Parent, subsidiary, and affiliate	-	-	76,383	76,383
Cash and cash equivalents	<u>1,003,960</u>	<u>-</u>	<u>-</u>	<u>1,003,960</u>
Total	<u><u>\$ 1,041,499</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 76,383</u></u>	<u><u>\$ 1,117,882</u></u>

The tables below present information about recurring fair value measurements that use significant observable inputs (Level 3 measurements):

	Other Invested Assets – Parent, Subsidiary and Affiliate
Beginning balance as of 1/1/2021	\$ -
Transfers into Level 3	76,383
Transfers out of Level 3	-
Total gains and (losses) included in net income	-
Total gains and (losses) included in surplus	<u>(47,121)</u>
Ending balance as of 12/31/2021	<u><u>\$ 29,262</u></u>

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 8. Fair Value Measurements (Continued)

Fair values for all financial instruments are as follows:

December 31, 2021					
	Level 1	Level 2	Level 3	Total	Admitted Assets
Bonds	\$ -	\$ 42,312,442	\$ -	\$ 42,312,442	\$ 36,728,734
Perpetual preferred stock	-	-	-	-	-
Common stock	81,705	-	-	81,705	81,705
Cash and cash equivalents	1,317,921	-	-	1,317,921	1,317,921
Other invested assets	-	487,585	29,262	516,847	428,039
Total	\$ 1,399,626	\$ 42,800,027	\$ 29,262	\$ 44,228,915	\$ 38,556,399
December 31, 2020					
	Level 1	Level 2	Level 3	Total	Admitted Assets
Bonds	\$ -	\$ 40,988,762	\$ -	\$ 40,988,762	\$ 34,167,604
Redeemable preferred stock	-	664	-	664	519
Perpetual preferred stock	-	114,520	-	114,520	100,000
Common stock	37,539	-	76,383	113,922	113,922
Cash and cash equivalents	1,003,960	-	-	1,003,960	1,003,960
Other invested assets	-	512,383	-	512,383	398,483
Total	\$ 1,041,499	\$ 41,616,329	\$ 76,383	\$ 42,734,211	\$ 35,784,488

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 9. Aggregate Reserves

Liabilities for policy reserves, net of reinsurance ceded, at December 31, 2021 and 2020 were as follows:

	2021	2020
Life insurance reserves	\$ 18,311,704	\$ 18,078,169
Annuity reserves	14,182,933	12,432,894
Accidental death benefits	2,892	2,950
Disability	766	936
Miscellaneous	5,475	6,006
Total policy reserves	\$ 32,503,770	\$ 30,520,955

The aggregate reserves for life certificates and contracts are determined on the Commissioner's Standard Ordinary (CSO) method and American Experience and American Men's basis, which are prescribed or permitted by the regulatory authorities. There are various mortality tables currently being used with interest factors ranging from 3.0% to 5.5%.

An analysis of annuity actuarial reserves and deposit liabilities by withdrawal characteristics at December 31, 2021 and 2020 is as follows:

December 31, 2021

Individual Annuities:

	General Accounts	% of Total	
1. Subject to discretionary withdrawal			
(a) With market adjustment	\$ -	-	%
(b) At book value less current surrender charge of 5% or more	5,328,447	11.295	%
(c) At fair value	-	-	%
(d) Total with adjustment or at fair value	5,328,447	11.295	%
(e) At book value without adjustment	39,915,421	84.611	%
2. Not subject to discretionary withdrawal	1,931,593	4.094	%
3. Total (gross)	47,175,461	100.000	%
4. Reinsurance ceded	(32,992,528)		
5. Total (net)	\$ 14,182,933		
6. Amounts in 1(b) that will move to 1(e) in year after the statement date	\$ 1,054,405		

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 9. Aggregate Reserves (Continued)

December 31, 2020

Individual Annuities:

	General Accounts	% of Total	
1. Subject to discretionary withdrawal			
(a) With market adjustment	\$ -	-	%
(b) At book value less current surrender charge of 5% or more	6,393,042	14.22	%
(c) At fair value	-	-	%
(d) Total with adjustment or at fair value	6,393,042	14.22	%
(e) At book value without adjustment	36,611,070	81.46	%
2. Not subject to discretionary withdrawal	1,943,465	4.32	%
3. Total (gross)	44,947,577	100.00	%
4. Reinsurance ceded	(32,514,683)		
5. Total (net)	<u>\$ 12,432,894</u>		
6. Amounts in 1(b) that will move to 1(e) in year after the statement date	<u>\$ 2,565,883</u>		

December 31, 2021

Deposit-Type Contracts (with no life contingencies):

	General Accounts	% of Total	
1. Subject to discretionary withdrawal			
(a) With market adjustment	\$ -	-	%
(b) At book value less current surrender charge of 5% or more	-	-	%
(c) At fair value	-	-	%
(d) Total with adjustment or at fair value	-	-	%
(e) At book value without adjustment	-	-	%
2. Not subject to discretionary withdrawal	-	-	%
3. Total (gross)	-	-	%
4. Reinsurance ceded	-		
5. Total (net)	<u>\$ -</u>		

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 9. Aggregate Reserves (Continued)

December 31, 2020

	General Accounts	% of Total
Deposit-Type Contracts (with no life contingencies):		
1. Subject to discretionary withdrawal		
(a) With market adjustment	\$ -	- %
(b) At book value less current surrender charge of 5% or more	-	- %
(c) At fair value	-	- %
(d) Total with adjustment or at fair value	-	- %
(e) At book value without adjustment	-	- %
2. Not subject to discretionary withdrawal	-	- %
3. Total (gross)	\$ -	- %
4. Reinsurance ceded	-	
5. Total (net)	<u>\$ -</u>	

	2021	2020
Annuities, total	\$ 14,182,934	\$ 12,432,894
Deposit-type contracts	-	-
Total	<u>\$ 14,182,934</u>	<u>\$ 12,432,894</u>

An analysis of life actuarial reserves by withdrawal characteristics at December 31, 2021 is as follows:

December 31, 2021

Subject to discretionary withdrawal, surrender values, or policy loans:	General Account		
	Account Value	Cash Value	Reserve
1. Term policies with cash value	\$ -	\$ 18,414	\$ 18,414
2. Universal life	-	-	-
3. Universal life with secondary guarantees	-	-	-
4. Indexed universal life	-	-	-
5. Indexed universal life with secondary guarantees	-	-	-
6. Indexed life	-	-	-
7. Other permanent cash value life insurance	-	\$ 15,669,931	\$ 18,230,836
8. Variable life	-	-	-
9. Variable universal life	-	-	-
10. Miscellaneous reserves	-	-	-

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 9. Aggregate Reserves (Continued)

Not subject to discretionary withdrawal, or no cash values:	General Account		
	Account Value	Cash Value	Reserve
1. Term policies without cash value	-	-	78,859
2. Accidental death benefits	-	-	2,892
3. Disability – active lives	-	-	767
4. Disability – disabled lives	-	-	-
5. Miscellaneous reserves	-	-	5,475
Gross discretionary and not subject to discretionary	-	15,688,345	18,337,243
Reinsurance ceded	-	-	16,406
Net discretionary and not subject to discretionary	\$ -	\$ 15,688,345	\$ 18,320,837

Life insurance section, total (net)	\$ 18,311,704
Accidental death benefits section, total (net)	2,892
Disability – active lives section, total (net)	766
Disability – disabled lives section total (net)	-
Miscellaneous reserves section total (net)	5,475
Total	<u>\$ 18,320,837</u>

An analysis of life actuarial reserves by withdrawal characteristics at December 31, 2020 is as follows:

Subject to discretionary withdrawal, surrender values, or policy loans:	General Account		
	Account Value	Cash Value	Reserve
1. Term policies with cash value	\$ -	\$ 18,023	\$ 39,046
2. Universal life	-	-	-
3. Universal life with secondary guarantees	-	-	-
4. Indexed universal life	-	-	-
5. Indexed universal life with secondary guarantees	-	-	-
6. Indexed life	-	-	-
7. Other permanent cash value life insurance	-	15,301,685	17,991,035
8. Variable life	-	-	-
9. Variable universal life	-	-	-
10. Miscellaneous reserves	-	-	-

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 9. Aggregate Reserves (Continued)

Not subject to discretionary withdrawal, or no cash values:	General Account		
	Account Value	Cash Value	Reserve
1. Term policies without cash value	-	-	66,154
2. Accidental death benefits	-	-	2,950
3. Disability – active lives	-	-	936
4. Disability – disabled lives	-	-	-
5. Miscellaneous reserves	-	-	6,006
Gross discretionary and not subject to discretionary	-	15,319,708	18,106,127
Reinsurance ceded	-	-	18,066
Net discretionary and not subject to discretionary	\$ -	\$ 15,319,708	\$ 18,088,061

Life insurance section, total (net)	\$ 18,078,169
Accidental death benefits section, total (net)	2,950
Disability – active lives section, total (net)	936
Disability – disabled lives section total (net)	-
Miscellaneous reserves section total (net)	6,006
Total	\$ 18,088,061

Note 10. Pension Plan

The Society sponsors a group non-contributory defined benefit pension plan that covers all employees with one year of service and who are age 21 or older. The effective date of the plan was January 1, 1965. The plan year is the same as the Society's.

Benefits are based on years of service and the employee's compensation of the highest five consecutive years of employment. Prior to June 30, 2015, the benefit formula is calculated at 1% of the participant's average monthly compensation times years of credit service. Vesting in the benefits is graded over a three-year period. Accrued benefits were frozen as of June 30, 2015. Future accrual after June 30, 2015 is changed to 0.5% of average pay for each year of credited service.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 10. Pension Plan (Continued)

The assets of the plan are commingled with the Society's investment assets. The Society estimates a reserve for the pension plan with its aggregate reserve computation for life certificates and contracts. This reserve is equal to the fair value of the plan assets. The Society's funding and accounting policies are to make annual contributions required under the applicable regulations and to charge such contributions to expense in the year that they occur.

In March 2012, the NAIC issued SSAP No. 102, *Accounting for Pensions, Replacement of SSAP NO. 89*, which was effective on January 1, 2013, with the exception of the effective date of January 1, 2014 for the required change in measurement date. This SSAP primarily adopts United States of America (U.S.) generally accepted accounting principles (GAAP) accounting guidance for pensions by requiring entities to measure the pension liability at the projected benefit obligation ("PBO") and to recognize the funded status of the defined benefit pension plan on the Statutory Basis Statement of Admitted Assets, Liabilities and Surplus. The PBO includes amounts for both vested and non-vested participants and makes assumptions for future compensation increases.

If the PBO is greater than plan assets, the difference between the PBO and the fair value of plan asset will be recorded as a liability on the Society's Statutory Basis Statement of Admitted Assets, Liabilities and Surplus and will be recognized and have an impact on the unassigned funds surplus. If the fair value of plan assets is greater than the PBO, the difference is recognized as non-admitted assets. SSAP No. 102 allows amortization of initial unfunded transition liability up to 10 years subject to minimum recognition requirements. The Society elected not to amortize the unfunded transition liability.

The employer pension plan contributions for the years ended December 31, 2021 and 2020 totaled \$25,000 and \$50,000, respectively.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 10. Pension Plan (Continued)

The following is a summary of the defined benefit pension plan information in accordance with the requirements of NAIC SSAP No. 102.

	2021	2020
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 1,257,677	\$ 1,166,454
Service cost	29,333	21,530
Interest cost	58,867	54,611
Contribution by plan participant	-	-
Actuarial (gain) loss	(36,005)	48,586
Foreign currency exchange rate changes	-	-
Benefits paid	(37,179)	(33,504)
Plan amendments	-	-
Benefit obligation at end of year	<u>\$ 1,272,693</u>	<u>\$ 1,257,677</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 1,313,329	\$ 1,227,597
Actual return on plan assets	62,383	69,236
Foreign currency exchange rate changes	-	-
Employer contribution	25,000	50,000
Plan participants' contributions	-	-
Benefits paid	(37,179)	(33,504)
Settlements or curtailments	-	-
Fair value of plan assets at end of year	<u>\$ 1,363,533</u>	<u>\$ 1,313,329</u>
Funded status		
Overfunded assets (nonadmitted)		
Prepaid benefit costs	\$ 122,039	\$ 120,757
Overfunded plan assets (nonadmitted)	(31,199)	(65,105)
Total assets nonadmitted	<u>\$ 90,840</u>	<u>\$ 55,652</u>
Underfunded liabilities recognized		
Accrued benefit costs	\$ -	\$ -
Liability for pension benefits	-	-
Total liabilities recognized	<u>\$ -</u>	<u>\$ -</u>
Unrecognized liabilities	<u>\$ -</u>	<u>\$ -</u>

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 10. Pension Plan (Continued)

	2021	2020
Components of net periodic benefit cost		
Service cost	\$ 29,333	\$ 21,530
Interest cost	58,867	54,611
Expected return on plan assets	(64,482)	(58,703)
Transition asset or obligation	-	-
Gains and losses	-	-
Prior service cost or credit	-	-
Gain or loss recognized due to a settlement or curtailment	-	-
Total net periodic benefit cost	\$ 23,718	\$ 17,438
Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost		
Not Applicable, Plan is not underfunded		
Items not yet recognized as a component of net periodic – prior year	\$ (65,105)	\$ (27,053)
Net transition asset or obligation recognized	-	-
Net prior service cost or credit arising during the period	-	-
Net prior service cost or credit recognized	-	-
Net gain and (loss) arising during the period	33,906	(38,052)
Net gain and loss recognized	-	-
Items not yet recognized as a component of net periodic cost – current year	\$ (31,199)	\$ (65,105)
Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost		
Net transition asset or obligation	\$ -	\$ -
Net prior service cost or credit	\$ -	\$ -
Net recognized gains or losses	\$ -	\$ -
Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost		
Net transition asset or obligation	\$ -	\$ -
Net prior service cost or credit	\$ -	\$ -
Net recognized gains or losses	\$ (31,199)	\$ (65,105)

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 10. Pension Plan (Continued)

	2021	2020
Weighted-average assumption used to determine net periodic benefit cost as of Dec. 31		
Weighted average discount rate	4.75%	4.75%
Expected long-term rate of return on plan assets	4.75%	4.75%
Rate of compensation increase	1.00%	1.00%
Weighted-average assumption used to determine projected benefit obligations as of Dec. 31		
Weighted average discount rate	4.75%	4.75%
Rate of compensation increase	2.50%	1.00%

Estimated Future Pension Benefit Payments

At December 31, 2021 and 2020, the accumulated benefit obligation for the Society's defined benefit pension plan was \$1,256,802 and \$1,249,675, respectively.

The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year Ending December 31	Amount
2022	\$ 35,709
2023	37,955
2024	37,422
2025	38,878
2026	83,722
2027 through 2031	<u>546,725</u>
Total	<u><u>\$ 780,411</u></u>

For 2022, the Society currently intends to make contributions to the defined benefit pension plan in an amount between \$-0- and \$25,000.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 10. Pension Plan (Continued)

Employer Group Annuity or Direct Participation Account:

The amount of pension fund invested in the Employer's Group Annuity as of December 31, 2021 and 2020 was \$1,363,533 and \$1,313,329, respectively.

Fair Value Measurements of Plan Assets as of December 31, 2021 and 2020 are as follows:

December 31, 2021				
Description	Level 1	Level 2	Level 3	Total
Group Annuity	<u>\$ -</u>	<u>\$ 1,363,533</u>	<u>\$ -</u>	<u>\$ 1,363,533</u>
Total Plan Assets	<u>\$ -</u>	<u>\$ 1,363,533</u>	<u>\$ -</u>	<u>\$ 1,363,533</u>
December 31, 2020				
Description	Level 1	Level 2	Level 3	Total
Group Annuity	<u>\$ -</u>	<u>\$ 1,313,329</u>	<u>\$ -</u>	<u>\$ 1,313,329</u>
Total Plan Assets	<u>\$ -</u>	<u>\$ 1,313,329</u>	<u>\$ -</u>	<u>\$ 1,313,329</u>

Note 11. Non-Admitted Assets

Assets included in the Statutory Statements of Admitted Assets, Liabilities and Surplus are carried at admitted asset values, which are values permitted to be reported for financial statement purposes in the annual report to the Commonwealth of Pennsylvania. All other assets are "non-admitted assets" and are excluded from the Statutory Statements of Admitted Assets, Liabilities and Surplus by a charge to certificate holders' surplus. Non-admitted assets at December 31, 2021 and 2020, totaled \$199,878 and \$96,985, respectively.

Note 12. Convention Reserve

The National Convention, held every four years, was last held in 2016. The balance in the reserve account as of December 31, 2021 and 2020 was \$20,000 and \$1,803, respectively.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 13. Post-Retirement Benefits

The Society sponsors a self-insured employee welfare plan which provides life insurance benefits to the employees of the Society. All employees and elected officers working in excess of 1,250 hours per year are covered. The plan provides for a fully paid \$2,000 death benefit for retiring employees at age 65 and with ten years of service.

Note 14. Reconciliation of Annual Statement to Audited Financial Statements

	2021	2020
Reconciliation of net income (loss):		
Net income (loss) per annual statement	<u>\$ 120,301</u>	<u>\$ 97,811</u>
Net income (loss) per financial statements	<u>\$ 120,301</u>	<u>\$ 97,811</u>
Reconciliation of unassigned funds:	2021	2020
Unassigned funds per annual statement	<u>\$ 1,425,648</u>	<u>\$ 1,187,338</u>
Unassigned funds per financial statements	<u>\$ 1,425,648</u>	<u>\$ 1,187,338</u>

Note 15. Lease Commitment

The Society leases office space under a noncancelable operating type lease. The first five months of the agreement are rent free. Monthly rental payments thereafter total \$3,948 until termination in October 2024. The lease also specifies that additional amounts will be required to be paid for a proportionate share of the building operating expenses. Additionally, the Society leases certain copier equipment under an operating lease agreement with monthly payments of \$330 and an expiration date of April 2026. Rent expense for the years ended December 31, 2021 and 2020 was \$50,996 and \$38,278, respectively.

Future minimum lease payments are as follows:

Year Ended December 31	
2022	\$ 51,336
2023	51,336
2024	43,440
2025	3,960
2026	1,320
	<u><u>\$ 151,392</u></u>

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 15. Lease Commitment (Continued)

In 2017, the Society acquired a building that was donated from a dissolved Nest in New Jersey. During 2018, the Society entered into a commercial lease agreement with a tenant. Minimum future rentals on noncancelable operating leases with original terms of one year or longer total \$117,600.

Due to a tenant breach of the lease agreement for the failure to tender rent to the Society, the tenant's lease was terminated effective May 7, 2021.

As discussed in Note 24. to the Statutory Basis Financial Statements, the Society completed the sale of the above-mentioned property on April 7, 2022.

Note 16. Electronic Data Processing Equipment and Software

Electronic data processing equipment and software consisted of the following:

	2021	2020
Computer equipment	\$ 142,893	\$ 140,837
Equipment	-	-
Construction in process	-	-
	142,893	140,837
Less: accumulated depreciation	(139,276)	(137,180)
	\$ 3,617	\$ 3,657

Depreciation expense for the years ended December 31, 2021 and 2020 was \$2,095 and \$1,406, respectively.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 17. Real Estate Property

The real estate is reported in the following composition:

	2021	2020
Land	\$ -	\$ 551,523
Buildings	-	496,303
Building improvements	-	109,290
Ground improvements	-	55,698
Properties held for sale	<u>968,963</u>	<u>-</u>
Total before accumulated depreciation	<u>968,963</u>	1,212,814
Less: accumulated depreciation	<u>-</u>	<u>(146,353)</u>
	<u>968,963</u>	1,066,461
Less: encumbrance (mortgage)	<u>-</u>	<u>-</u>
	<u><u>\$ 968,963</u></u>	<u><u>\$ 1,066,461</u></u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$22,464 and \$22,382, respectively.

For 2021, the Society recognized an impairment loss of \$75,000 on the property located at 745-753 Bound Brook Road, Dunellen, New Jersey 08812. The Society impaired the asset to reflect the reduction in sales price as compared to the carrying and appraised value. As discussed in Note 24. to the Statutory Basis Financial Statements, the Society completed the sale of the property on April 7, 2022. The \$75,000 impairment is recognized as a realized capital loss on the Statutory Basis Statements of Operations for the year ended December 31, 2021.

Note 18. Risk Commitments and Contingencies

The Society does not believe that there are any material risk commitments and contingencies at the present time as it relates to litigation, taxes or other matters.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 19. Coinsurance Agreement with Heritage Life Insurance Company

The Society (“Cedant”) entered into a coinsurance agreement with Heritage Life Insurance Company (“Reinsurer”), an authorized reinsurer, as of October 31, 2019. The agreement reinsures 80% of a block of annuity business as defined by the agreement. As notated in the agreement, the Reinsurer will pay the Cedant an administration fee of \$6.04 per policy monthly, as the Cedant will retain management of the policies. This fee will be increased by 1% year over year. The agreement calls for a monthly settlement of the activity of the business block; 80% of the net deposits less claims, commissions, and administration fees. The agreement included a transfer of cash, transfer of corresponding reserves for the block of business and a 3% one-time Cedant allowance. At December 31, 2021 and 2020 the amount receivable from the Reinsurer relating to the monthly settlement of activity was \$330,868 and \$80,710, respectively.

Note 20. Related Party Transactions

The Society shares some members of the Board of Directors with the Polish Falcons Heritage Foundation (the “Foundation”). The Foundation operates within the meaning of section 501(c)(3) of the Internal Revenue Code. In addition to sharing some members of the Board of Directors, the Society and the Heritage Foundation share office space.

During 2014, Falcon Community Holdings, LLC was formed for the purpose of managing and owning the entity Polish Falcons Camp, Inc., who manages the property at 140 Falcon Road, Hillsborough Township, New Jersey. As mentioned in Note 24. to the Statutory Basis Financial Statements, the Society completed the sale of the above-mentioned property on April 20, 2022. Falcon Community Holdings, LLC is a single member LLC owned by the Society. Polish Falcons Camp, Inc. is an entity previously owned by Polish Falcons District 1. The District sold the Polish Falcons Camp, Inc. to Falcon Community Holdings, LLC. Polish Falcons Camp, Inc. is the sole owner of the Liquor License issued for this location by the state of New Jersey.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 20. Related Party Transactions (Continued)

The Society maintains a lodge system composed of local Districts and Chapters, referred to as Nests. According to Section 81 of the Society's Constitution and Bylaws, "when a Nest is permanently dissolved or when its charter is revoked, it shall be the duty of the last officer to deliver to the Board of Directors or its authorized representative the books, charter, seal, papers and records of the Nest together with all its property, real or personal." Nest 725, Milwaukee, Wisconsin, was dissolved by the Board of Directors as of October 28, 2021. In accordance with the Constitution, all assets were remitted to the Society. The assets included the Nest's building located at 801 East Clarke Street, Milwaukee, Wisconsin 53212. The building was recorded on the Society's records on October 28, 2021, with a fair market value of \$350,000. Under Statutory basis accounting, the contribution by the affiliate entity of the building is shown as a direct addition to unassigned funds rather than an increase to income. Accordingly, under Statutory basis accounting, the donation of the building by the affiliate entity is shown as a direct addition to unassigned funds instead of an increase to income. In order to facilitate the intended sale of the building, the Society, on November 21, 2021 purchased the bowling alley that was structurally affixed to the building for \$72,000. Subsequently, the building was sold on December 14, 2021, for a sales price of \$500,000. Sales proceeds, net of closing costs amounted to \$462,953. The overall basis of the building prior to being sold was \$422,000. The \$40,953 gain on the sale of the building is reflected as a realized capital gain on the statutory basis statements of operations for the year ended December 31, 2021.

As of December 31, 2021 and 2020, the Society had receivables from affiliates of \$296,124 and \$289,807, respectively as follows:

	2021	2020
Polish Falcons Heritage Foundation	\$ 56,714	\$ 54,529
Polish Falcons Camp, Inc.	59,008	32,088
Falcon Community Holdings, LLC	34,130	19,339
Due from Nest 822	-	35,000
Due from District 1	40,945	41,398
Nest Loans	105,327	107,453
	<u>\$ 296,124</u>	<u>\$ 289,807</u>

Beginning in 2020, the receivable from the Polish Falcons Heritage Foundation was reported as non-admitted assets.

The Society acts as a trustee for the Nest and Districts. The total Nest and District funds on deposit at December 31, 2021 and 2020 totaled \$2,597,925 and \$2,586,959, respectively,

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 21. Government Loans

Paycheck Protection Program (the “PPP”) and Economic Injury Disaster Relief (EIDL)

On April 29, 2020, the Society, was granted a loan from First National Bank, in the aggregate amount of \$169,102 pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Society applied for forgiveness with the Small Business Association (SBA) on January 4, 2021. The Society received loan forgiveness of \$170,807, which is inclusive of interest, from the SBA on May 3, 2021. At December 31, 2020, the PPP loan in the amount of \$170,233 is recorded as a liability in the Statutory Basis Statement of Admitted Assets, Liabilities and Surplus. In 2021, the loan forgiveness of \$170,807 was reported as a capital gain pursuant to SSAP No 15, paragraph 25.

The SBA may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan. The review may include the loan forgiveness application, as well as whether the Society received the proper loan amount. The timing and outcome of any SBA review is not known.

During 2020, the Society received \$10,000 in relation to the Economic Injury Disaster Relief (EIDL) program. In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories were able to apply for an Economic Injury Disaster Loan advance of up to \$10,000. This advance was designed to provide economic relief to businesses that were experiencing a temporary loss of revenue. This loan advance is recorded as miscellaneous income and will not have to be repaid. Previously, borrowers applying for PPP forgiveness were required to reduce their forgiveness amounts by EIDL grants received; however, as per the Economic Aid Act which became law on December 27, 2020, PPP loans are fully forgivable regardless of EIDL grants received.

Note 22. Risks and Uncertainties

Pandemics such as the Coronavirus, also known as COVID-19, can result in strains on the economy. The spread of the pandemic may cause changes in the Society’s work force, purchases, and sales if the pandemic continues. Those ongoing effects cannot yet be measured on the Society but should be considered when reading these financial statements.

POLISH FALCONS OF AMERICA

Notes to Statutory Basis Financial Statements (Continued)

December 31, 2021 and 2020

Note 23. Premium Deficiency Reserves

On July 1, 2021, the Society entered into an agreement to end the reinsurance relationship with Sentinel Security Life Insurance Company relating to the Society's closed Medicare Supplement business block. The Society recaptured 90% of the quota share of the coinsurance on active Medicare Supplemental policies as the effective date of the agreement. Sentinel Security Life Insurance Company transferred funds equal to \$740,000 to the Society to assume the risk of the block. The balance in the reserve account as of December 31, 2021 was \$634,154.

Note 24. Evaluation of Subsequent Events

The Society executed a Letter of Intent to sell the property located at 140 Falcon Road, Hillsborough, New Jersey 08844 as of March 21, 2021, and subsequently executed a Purchase and Sale Agreement as of May 10, 2021. The carrying value of the land, property, and associated improvements have been reclassified to "Properties Held for Sale" as of December 31, 2021, as sales negotiations began prior to year-end. On April 20, 2022, the Society completed the sale of the above-mentioned property. The sales price was \$925,000.

Additionally, the Society executed a Letter of Intent to sell the property located at 745-753 Bound Brook Road, Dunellen, New Jersey 08812, as of June 3, 2021, and subsequently executed a Purchase and Sale Agreement as of July 21, 2021. The carrying value of the land, property, and associated improvements have been reclassified to "Properties Held for Sale" as of December 31, 2021, as sales negotiations began prior to year-end. On April 7, 2022, the Society completed the sale of the above-mentioned property. The sales price was \$325,000.

The Society has evaluated subsequent events through May 31, 2022, the date which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

Supplementary Information



McKeever Varga & Senko

*Certified Public Accountants
Personal Financial Planners
Business Consultants*

Independent Auditor's Report on Supplementary Information

To the Board of Directors
POLISH FALCONS OF AMERICA
Pittsburgh, Pennsylvania

We have audited the statutory basis financial statements of the Polish Falcons of America as of and for the year ended December 31, 2021, and our report thereon dated DATE PENDING, which expressed an unmodified opinion on those statutory basis financial statements, appears on pages 1 and 2. Our 2021 audit was conducted for the purpose of forming an opinion on the statutory basis financial statements as a whole. The accompanying Annual Statement for the Year Ended December 31, 2021 – Selected Financial Data, Investment Risk Interrogatories, and Summary Investment Schedule are presented for purposes of additional analysis and are not a required part of the statutory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory basis financial statements as a whole.

McKeever Varga & Senko
Certified Public Accountants

May 31, 2022
Pittsburgh, Pennsylvania

POLISH FALCONS OF AMERICA

Annual Statement for the Year Ended December 31, 2021 - Selected Financial Data

The following is a summary of certain financial data included in other exhibits and schedules subjected to audit procedures by independent auditors and utilized by actuaries in the determination of reserves.

Investment income earned:

U.S. Government bonds	\$	-
Bonds exempt from U.S. tax		-
Other bonds (unaffiliated)		1,906,162
Bonds of affiliates		-
Preferred stocks (unaffiliated)		6,750
Preferred stocks of affiliates		-
Common stocks (unaffiliated)		907
Common stocks of affiliates		-
Mortgage loans		-
Real estate		-
Contract loans		8,960
Cash, cash equivalents and short-term investments		435
Derivative investments		-
Other invested assets		23,532
Aggregate write-ins for investment income		-

Gross investment income	\$	<u>1,946,746</u>
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Real estate owned – book value less encumbrances	\$	<u>968,996</u>
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Mortgage loans – book value

Farm mortgages	N/A
Residential	N/A
Commercial mortgages	N/A

Total mortgage loans	<u>N/A</u>
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Mortgage loans by standing – book value:

Good standing	<u>N/A</u>
Good standing with restructured terms	<u>N/A</u>
Interest overdue more than three months, not in foreclosure	<u>N/A</u>
Foreclosure in process	<u>N/A</u>

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Annual Statement for the Year Ended December 31, 2021 -
Selected Financial Data
(Continued)

Other long-term assets – statement value	<u>N/A</u>
Contract loans	\$ <u>138,872</u>
Bonds and stocks of parents, subsidiaries and affiliates – book value:	
Bonds	<u>N/A</u>
Preferred stocks	<u>N/A</u>
Common stocks	<u>N/A</u>
Other invested assets	\$ <u>29,262</u>
Bonds and short-term investments by class and maturity:	
Bonds by maturity – statement value:	
Due within one year or less	\$ 1,210,480
Over 1 year through 5 years	5,032,849
Over 5 years through 10 years	5,159,486
Over 10 years through 20 years	16,959,375
Over 20 years	<u>8,366,543</u>
Total by maturity	\$ <u>36,728,734</u>
Bonds by class – statement value	
NAIC 1	\$ 23,190,536
NAIC 2	13,047,760
NAIC 3	490,438
NAIC 4	-
NAIC 5	-
NAIC 6	<u>-</u>
Total by class	\$ <u>36,728,734</u>
Total bonds publicly traded	\$ <u>36,617,282</u>
Total bonds privately placed	\$ <u>111,452</u>
Preferred stocks – statement value	\$ <u>-</u>

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Annual Statement for the Year Ended December 31, 2021 - Selected Financial Data (Continued)

Common stocks – market value	\$ <u>81,705</u>
Cash, cash Equivalents and short term investments	\$ <u>1,317,921</u>
Options, caps & floors owned – statement value	<u>N/A</u>
Options, caps & floors written and in force – statement value	<u>N/A</u>
Collar, swap & forward agreements open – statement value	<u>N/A</u>
Futures contracts open – current value	<u>N/A</u>
Life insurance in force:	
Industrial	<u>N/A</u>
Ordinary	\$ <u>66,833,241</u>
Credit life	<u>N/A</u>
Group life	<u>N/A</u>
Amount of accidental death insurance in force under ordinary policies	\$ <u>48,191</u>
Life insurance policies with disability provisions in force:	
Industrial	<u>N/A</u>
Ordinary	\$ <u>183</u>
Credit life	<u>N/A</u>
Group life	<u>N/A</u>
Supplemental contracts in force:	
Ordinary – not involving life contingencies --	
Amount on deposit	<u>N/A</u>
Income payable	<u>N/A</u>
Ordinary – involving life contingencies --	
Income payable	<u>N/A</u>

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Annual Statement for the Year Ended December 31, 2021 - Selected Financial Data (Continued)

Group – not involving life contingencies --	
Amount on deposit	N/A
Income payable	N/A
Group – involving life contingencies --	
Income payable	N/A
Annuities:	
Ordinary --	
Immediate – amount of income	\$ 80,191
Deferred – fully paid account balance	\$ 707,566
Deferred – not fully paid – account balance	\$ 45,256,198
Group --	
Amount of income payable	N/A
Fully paid account balance	N/A
Not fully paid – account balance	N/A
Accident and health insurance – premiums in force:	
Ordinary	\$ 353,296
Group	N/A
Credit	N/A
Deposit funds and dividend accumulations:	
Deposit funds – account balance	N/A
Dividend accumulations – account balance	N/A
Claims payments 2021:	
Group accident and health – year ended December 31, 2021	
2021	N/A
2020	N/A
2019	N/A
2018	N/A
2017	N/A
2016	N/A

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Annual Statement for the Year Ended December 31, 2021 - Selected Financial Data (Continued)

Other accident and health:

2021	\$	<u>212,217</u>
2020	\$	<u>31,533</u>
2019	\$	<u>46,383</u>
2018	\$	<u>47,151</u>
2017	\$	<u>33,562</u>
2016	\$	<u>6,992</u>

Other coverages that use developmental methods to calculate reserves:

2021	<u>N/A</u>
2020	<u>N/A</u>
2019	<u>N/A</u>
2018	<u>N/A</u>
2017	<u>N/A</u>
2016	<u>N/A</u>

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Investment Risk Interrogatories

December 31, 2021

1. Total admitted assets as reported on page two of the annual statement \$ 40,676,015

2. The 10 largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual* as exempt, (ii) property occupied by the company and (iii) policy loans:

	Issuer	Description Of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Comcast Cable Comm.	Corporate Bond	\$ 541,044	1.3 %
2.02	BellSouth LLC	Corporate Bond	\$ 449,485	1.1 %
2.03	Hydro-Quebec	Corporate Bond	\$ 400,056	1.0 %
2.04	Kohl's Corp.	Corporate Bond	\$ 397,330	1.0 %
2.05	Alltel Corp.	Corporate Bond	\$ 375,000	0.9 %
2.06	Kraft Heinz Foods Co.	Corporate Bond	\$ 341,757	0.8 %
2.07	SG Structured Products	Corporate Bond	\$ 300,000	0.7 %
2.08	Relx Inc	Corporate Bond	\$ 298,765	0.7 %
2.09	JPMorgan Chase & Co	Corporate Bond	\$ 270,582	0.7 %
2.10	Nexen Energy ULC	Corporate Bond	\$ 264,405	0.7 %

3. The amounts and percentages of total admitted assets held in bonds and preferred stocks by NAIC rating.

Bonds			Preferred Stocks		
NAIC-1	\$ 23,190,536	57.0%	P/RP-1	\$ -	0.0%
NAIC-2	\$ 13,047,760	32.1%	P/RP-2	\$ -	0.0%
NAIC-3	\$ 490,438	1.2%	P/RP-3	\$ -	0.0%
NAIC-4	\$ -	0.0%	P/RP-4	\$ -	0.0%
NAIC-5	\$ -	0.0%	P/RP-5	\$ -	0.0%
NAIC-6	\$ -	0.0%	P/RP-6	\$ -	0.0%

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments are greater than 2.5% of the reporting entity's total assets?				
4.02	Total admitted assets held in foreign investments	\$	2,343,052		5.8%
4.03	Foreign-currency-denominated investments	\$	-		0.0%
4.04	Insurance liabilities denominated in that same foreign currency	\$	-		0.0%

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Investment Risk Interrogatories (Continued)

December 31, 2021

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries designated NAIC – 1	\$	1,896,663	4.7	%
5.02	Countries designated NAIC – 2	\$	446,390	1.1	%
5.03	Countries designated NAIC – 3 or below	\$	-	0.0	%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	Countries designated NAIC – 1:				
6.01	Country 1	United Kingdom	\$	617,787	1.5 %
6.02	Country 2	Netherlands	\$	208,684	0.5 %
	Countries designated NAIC – 2:				
6.03	Country 1	Mexico	\$	446,390	1.1 %
6.04	Country 2	-	\$	-	0.0 %
	Countries designated NAIC – 3 or below:				
6.05	Country 1	-	\$	-	0.0 %
6.06	Country 2	-	\$	-	0.0 %

7. Aggregate unhedged foreign currency exposure \$ - 0.0 %

8. Aggregate unhedged foreign currency exposure by country, categorized by the country's NAIC sovereign designation:

8.01	Countries designated NAIC - 1	\$	-	0.0	%
8.02	Countries designated NAIC - 2	\$	-	0.0	%
8.03	Countries designated NAIC – 3 or below	\$	-	0.0	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

	Countries designated NAIC – 1:				
9.01	Country 1		\$	-	0.0 %
9.02	Country 2		\$	-	0.0 %
	Countries designated NAIC – 2:				
9.03	Country 1		\$	-	0.0 %
9.04	Country 2		\$	-	0.0 %
	Countries designated NAIC – 3:				
9.05	Country 1		\$	-	0.0 %
9.06	Country 2		\$	-	0.0 %

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Investment Risk Interrogatories (Continued)

December 31, 2021

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC Designation				
10.01	Relx Inc.	2.A FE	\$	298,765	0.7	%
10.02	Fomento Economico Mex	1.G FE	\$	229,390	0.6	%
10.03	Coca-Cola Femsa	1.F FE	\$	217,000	0.5	%
10.04	Iberdrola Intl Bv	2.A FE	\$	208,684	0.5	%
10.05	Swiss Re America	1.F FE	\$	205,736	0.5	%
10.06	Assured Guaranty US	1.G FE	\$	204,130	0.5	%
10.07	HSBC Holdings PLC	2.A FE	\$	200,000	0.5	%
10.08	Republic of Poland	1.G FE	\$	200,000	0.5	%
10.09	Daimler Finance NA LLC	1.G FE	\$	128,425	0.3	%
10.10	BHP Billiton Fin USA	1.F FE	\$	122,159	0.3	%

11. The amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and un-hedged Canadian currency exposure:

11.01	Assets held in Canadian investments are greater than 2.5% of the reporting entity's total admitted assets.					
11.02	Total admitted assets held in Canadian investments	\$	1,327,371	3.3	%	
11.03	Canadian currency-denominated investments	\$	-	0.0	%	
11.04	Canadian-denominated insurance liabilities	\$	-	0.0	%	
11.05	Unhedged Canadian currency exposure	\$	-	0.0	%	

12. The aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

Asset held in investments with contractual sales restrictions do not equal or exceed 2.5% of the Society's total admitted assets, therefore, detail is not required.

13. The Society's assets held in Equity interests do not equal or exceed 2.5% of the Society's total admitted assets; therefore, detail is not required.

14. The Society's assets held in nonaffiliated, privately placed equities do not equal or exceed 2.5% of the Society's total admitted assets; therefore, detail is not required.

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Investment Risk Interrogatories (Continued)

December 31, 2021

14.

Ten largest fund managers:

	Fund Manager	Total Invested	Diversified	Nondiversified
14.06	FIRST AM-GV OB-Z	\$ 812,328	\$ -	\$ 812,328
14.07	Ishares	\$ 81,705	\$ 81,705	\$ -
14.08		\$ -	\$ -	\$ -
14.09		\$ -	\$ -	\$ -
14.10		\$ -	\$ -	\$ -
14.11		\$ -	\$ -	\$ -
14.12		\$ -	\$ -	\$ -
14.13		\$ -	\$ -	\$ -
14.14		\$ -	\$ -	\$ -
14.15		\$ -	\$ -	\$ -

15. The amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

Assets held in general partnership interests do not equal or exceed 2.5% of the Society's total admitted assets; therefore, detail is not required.

16. The amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

Mortgage loans reported in Schedule B do not equal or exceed 2.5% of the Society's total admitted assets, therefore, detail is not required.

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Investment Risk Interrogatories (Continued)

December 31, 2021

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
above 95%	\$ -	0.0 %	\$ -	0.0 %	\$ -	0.0 %
91% to 95%	\$ -	0.0 %	\$ -	0.0 %	\$ -	0.0 %
81% to 90%	\$ -	0.0 %	\$ -	0.0 %	\$ -	0.0 %
71% to 80%	\$ -	0.0 %	\$ -	0.0 %	\$ -	0.0 %
below 70%	\$ -	0.0 %	\$ -	0.0 %	\$ -	0.0 %

18. The Society's largest five investments in any one parcel or group of contiguous parcels of real estate do not equal or exceed 2.5% of the Society's total admitted assets, therefore, detail is not required.
19. The Society's aggregate holdings in mezzanine real estate investments do not equal or exceed 2.5% of the Society's total admitted assets, therefore, detail is not required.
20. State the amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year End	At End of Each Quarter		
		1 st Qtr	2 nd Qtr	3 rd Qtr
a. Securities lending (do not include assets held as collateral for such transactions)	\$ - 0.0 %	\$ -	\$ -	\$ -
b. Repurchase agreements	\$ - 0.0 %	\$ -	\$ -	\$ -
c. Reverse repurchase agreements	\$ - 0.0 %	\$ -	\$ -	\$ -
d. Dollar repurchase agreements	\$ - 0.0 %	\$ -	\$ -	\$ -
e. Dollar reverse repurchase agreements	\$ - 0.0 %	\$ -	\$ -	\$ -

21. State the amount and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors:

	Owned	Written
a. Hedging	\$ - 0 %	\$ - 0 %
b. Income generation	\$ - 0 %	\$ - 0 %
c. Other	\$ - 0 %	\$ - 0 %

22. The Society has no admitted assets in collars; swaps and forwards.
23. The Society has no admitted assets in potential exposure for future contracts.

See Independent Auditor's Report on Supplementary Financial Information.

POLISH FALCONS OF AMERICA

Summary Investment Schedule

December 31, 2021

Investments:	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage	Amount	Percentage
1. Bonds				
1.01 U.S. Governments	\$ -	% 0.000	\$ -	0.000 %
1.02 All Other Governments	402,723	1.015	402,723	1.015
1.03 U.S States, Territories and Possessions, etc. Guaranteed	254,641	0.642	254,641	0.642
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	2,766,125	6.974	2,766,125	6.974
1.05 U.S Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	5,600,737	14.120	5,600,737	14.120
1.06 Industrial and Miscellaneous	27,504,508	69.343	27,504,508	69.343
1.07 Hybrid Securities	200,000	0.504	200,000	0.504
1.08 Parent, Subsidiaries and Affiliates	-	0.000	-	0.000
1.09 SVO Identified Funds	-	0.000	-	0.000
1.10 Unaffiliated Bank Loans	-	0.000	-	0.000
1.11 Total Long-Term Bonds	36,728,734	92.599	36,728,734	92.599
2. Preferred Stocks (Schedule D, Part 2)				
2.01 Industrial and Misc. (Unaffiliated)	-	0.000	-	0.000
2.02 Parent, Subsidiaries and Affiliates	-	0.000	-	0.000
2.03 Total Preferred Stock	-	0.000	-	0.000
3. Common Stocks (Schedule D, Part 2, Section 2):				
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	-	0.000	-	0.000
3.02 Industrial and Miscellaneous Other (unaffiliated)	-	0.000	-	0.000
3.03 Parent Subsidiaries and Affiliates Publicly Traded	-	0.000	-	0.000
3.04 Parent Subsidiaries and Affiliates Other	-	0.000	-	0.000
3.05 Mutual Funds	81,705	0.206	81,705	0.206
3.06 Unit Investment Trusts	-	0.000	-	0.000
3.07 Closed-End Funds	-	0.000	-	0.000
3.08 Total Common Stocks	81,705	0.206	81,705	0.206
4. Mortgage Loans Schedule B:				
4.01 Farm Mortgages	-	0.000	-	0.000
4.02 Residential Mortgages	-	0.000	-	0.000
4.03 Commercial Mortgages	-	0.000	-	0.000
4.04 Mezzanine Real Estate Loans	-	0.000	-	0.000
4.05 Total Mortgage Loans	-	0.000	-	0.000
5. Real Estate (Schedule A):				
5.01 Properties Occupied by Company	-	0.000	-	0.000
5.02 Properties Held for Production of Income	-	0.000	-	0.000
5.03 Properties Held for Sale	968,996	2.443	968,996	2.443
5.04 Total Real Estate	968,996	2.443	968,996	2.443
6. Cash, Cash Equivalents, and Short-Term Investments:				
6.01 Cash (Schedule E, Part 1)	505,594	1.275	505,594	1.275
6.02 Cash Equivalents (Schedule E, Part 2)	812,328	2.048	812,328	2.048
6.03 Short Term Investments (Schedule DA)	-	0.000	-	0.000
6.04 Total Cash, Cash Equivalents and Short-Term Investments	1,317,921	3.323	1,317,921	3.323
7. Contract loans	138,872	0.350	138,872	0.350
8. Derivatives (Schedule DB)	-	0.000	-	0.000
9. Other Invested Assets (Schedule BA)	428,039	1.079	428,039	1.079
10. Receivables for Securities	-	0.000	-	0.000
11. Securities Lending	-	0.000	-	0.000
12. Other invested assets	-	0.000	-	0.000
13. Total invested assets	\$ 39,664,267	100.000 %	\$ 39,664,267	100.000 %

See Independent Auditor's Report on Supplementary Financial Information.