FR Y-6
OMB Number 7100-0297
Approval expires November 30, 2022

Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Mark Steffe
Name of the Holding Company Director and Official

President & CEO
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

DocuSigned by:
Mark Steffe
D8CA1AD1B1E4DF...
Signature of Holding Company Director and Official

12/17/2020
Date of Signature

Date of Report (top-tier holding company's fiscal year-end):
September 30, 2020
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

First Command Financial Planning, Inc. Employee Stock Ownership Plan Trust
Legal Title of Holding Company

1 FirstComm Plaza
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Fort Worth	TX	76109

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Heidi E. Cerbone	VP Treasurer

817-569-2344
Area Code / Phone Number / Extension

817-569-2468
Area Code / FAX Number

hecerbone@firstcommand.com
E-mail Address

www.firstcommand.com
Address (URL) for the Holding Company's web page

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... [ ]
2. a letter justifying this request has been provided separately ... [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

First Command Financial Services, Inc.
Legal Title of Subsidiary Holding Company

1 First Comm Plaza
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City	State	Zip Code
Fort Worth	TX	76109

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

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City State Zip Code

Physical Location (if different from mailing address)

Subsidiaries of Registrant

Name & Address	Date and % of Voting Shares, Partnership Interest, Voting Trust Certificates Capital Contributions	Legal Entity Identifier (LEI)
First Command Financial Planning, Inc. - Employee Stock Ownership Plan Trust, Fort Worth, TX 76109	100% Owner of FCFS as of 2002 State of Incorporation - Texas	LEI - None
First Command Financial Services, Inc., Fort Worth, TX 76109	Parent Company State of Incorporation - Texas	LEI - 549300KKA8UHKS7K0K34
First Command Brokerage Services, Inc., Fort Worth, TX 76109	100% Owned by FCFS as of 1981 State of Incorporation - Texas	LEI - None
First Command Europe Ltd. Mildenhall, Suffolk, IP28 7DF, United Kingdom	100% Owned by FCFS as of 2008 Incorporated in the U.K.	LEI - None
First Command Bank, Fort Worth, TX 76109	100% Owned by FCFS as of 1997 State of Incorporation - Texas	LEI - None
First Command Insurance Services, Inc., Fort Worth, TX 76109	100% Owned by FCFS as of 1999 State of Incorporation - Texas	LEI - None
First Command Life Insurance Company, Fort Worth, TX 76109	100% Owned by FCFS as of 2001 State of Incorporation - Texas	LEI - None
First Command Advisory Services, Inc., Fort Worth, TX 76109	100% Owned by FCFS as of 2014 State of Incorporation - Texas	LEI - None
First Command Financial Services, Inc. Grantor Trust 12092016, Fort Worth, TX 76109	100% Owned by FCFS as of 2016 State of Incorporation - Texas	LEI - None

Results: A list of branches for your depository institution: FIRST COMMAND BANK (ID_RSSD: 2568063).
This depository institution is held by FIRST COMMAND FINANCIAL SERVICES, INC. (3821916) of FORT WORTH, TX.
The data are as of 09/30/2020. Data reflects information that was received and processed through 10/05/2020.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	2568063	FIRST COMMAND BANK	1 FIRSTCOMM PLAZA	FORT WORTH	TX	76109	TARRANT	UNITED STATES	Not Required	Not Required	FIRST COMMAND BANK	2568063	

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First Command Financial Planning, Inc Employee Stock Ownership Plan Trust
Fort Worth, Texas
Fiscal Year Ending September 30, 2020

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 9-30-2020			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 9-30-2020		
(1)(a) Name & Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities
Lance Studdard (Trustee), Alpharetta, Georgia, USA	United States	6,158,088 shares, 100%	N/A	N/A	N/A

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First Command Financial Services, Inc.
Fort Worth, Texas
Fiscal Year Ending September 30, 2020

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 9-30-2020			**Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 9-30-2020**		
(1)(a) Name & Address (City, State, Country)	**(1)(b)** Country of Citizenship or Incorporation	**(1)(c)** Number and Percentage of Each Class of Voting Securities	**(2)(a)** Name & Address (City, State, Country)	**(2)(b)** Country of Citizenship or Incorporation	**(2)(c)** Number and Percentage of Each Class of Voting Securities
First Command Financial Planning Employee Stock Ownership Plan Trust, Fort Worth, TX, USA	United States	6,158,088 shares 100%	N/A	N/A	N/A

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First Command Financial Planning, Inc Employee Stock Ownership Plan Trust
Fort Worth, Texas
Fiscal Year Ending September 30, 2020

Report Item 4: Insiders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Lance Studdard, Alpharetta, Georgia, USA	ESOP Trustee	Trustee	None	President - The ERISA Fiduciary Group, LLC	100%	0%	The ERISA Fiduciary Group, LLC, 100%

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First Command Financial Services, Inc.
Fort Worth, Texas
Fiscal Year Ending September 30, 2020

Report Item 4: Insiders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
First Command Financial Planning Employee Stock Ownership Plan Trust	N/A	N/A	N/A	N/A	100%	0	N/A
John Scott Spiker (Fort Worth, TX, United States)	None	Chairman of the Board - First Command Financial Services, Inc.	None	Financial Services Institute; Caring Bridge	0	0	None
Mark Steffe (Fort Worth, TX, United States)	None	President & CEO - First Command Financial Services, Inc.; Director - First Command Financial Services, Inc.	Director, President & CEO - First Command Brokerage Services, Inc.; Director, President & CEO - First Command Advisory Services, Inc.; Director, President & CEO - First Command Insurance Services, Inc.; Director, President & CEO - First Command Life Insurance Company; Director - First Command Bank	None	0	0	None
Mark C. Brickell (New York, NY, United States)	Banker	Director	None	President - Brickell Family Foundation; CEO, Chairman and Director - Clear Market Holdings, Inc.; President and Director -Gassaway Place, Inc.	0	0	Clear Market Holdings, Inc., Common 48.98%, Preferred .81%
Logan Dickinson (Fort Worth, TX, United States)	Employee Benefits Broker/Consultant	Director	None	Vice President, USI Southwest, Employee Benefits/Insurance Broker- Consulting	0	0	Compensation Strategies Group of Texas, Inc. 50%
Henry Hagan (Boynton Beach, FL, United States)	Strategy Consultant	Director	None	Chairman - Foundation Partners Group, LLC Brace Industrial Group, Inc. - Director & Audit Committee Chair Founder & CEO Vector Advisory LLC; Manager Hagan Group Holdings, LLC.	0	0	Hagan Group Holdings, LLC 51%; Vector Advisory LLC 100%
Paula R. Meyer (Saint Ansgar, IA, United States)	Board Member	Director	None	Director - Mutual of Omaha; Director United of Omaha; Director Companion of Omaha, Director of Diamond Hill Capital Management of Columbus, OH	0	0	None
Carroll H. Payne, II (Fort Worth, TX, United States)	Architect	Director	None	Managing Member - C Payne Ranch Properties; Trustee - Carroll H Payne II Trust	0	0	C Payne Investments, LTD 95% Carroll H Payne II Trust 100%

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First Command Financial Services, Inc.
Fort Worth, Texas
Fiscal Year Ending September 30, 2020

Report Item 4: Insiders
(1)(a)(b)(c) and (2)(a)(b)(c)

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John Sattler,(Annapolis, MD United States)	USMC-Retired	Director	None	Director, The Semper Fi Fund (pro bono); Director, Warrior Events (pro bono); Director, Navy Marine Corps Wrestling Regional Training Center (pro bono)	0	0	None
Dan McNeill (Fayetteville, NC, United States)	US Army-Retired	Director	None	None	0	0	None
Barry M. Costello (Des Moines, WA, United States)	Consultant	Director	None	President - The Costello Group - (Sole Proprietor)	0	0	The Costello Group 100%
John H. Wilson (Olathe, KS, United States)	Self Employed	Director	None	President - Ottawa Land and Cattle Co, Inc.; BOD of Country Club Bank	0	0	Ottawa Land and Cattle Co, Inc. 100%
Jody Breckenridge (Pleasant Hill, CA, United States)	Coast Guard-Retired	Director	None	Secretary, Marines Memorial Foundation; Board Member, Association for Rescue at Sea (nonprofit, no salary); Vice Chair, CA Military Council (state govt, no salary); Board Member, Oakland Military Institute; Board of Visitors for National Defense University (DoD appointment, no salary); Secretary, Marines Memorial Foundation; Board Member, U.S. VETS (nonprofit - no salary); Vice Chair, San Francisco Fleet Week Association (nonprofit, no salary); Board member, Council for a Strong America (nonprofit, no salary); Uniformed Services Advisory Board to Federal Employee Program Division; Blue Cross Blue Shield Association	0	0	None
David B. Rich (Fort Worth, TX , United States)	Retired Executive/ Consultant/Venture Capitalist	Director	None	CEO & Managing Partner, DBR & Associates; Executive Chairman Demand Bridge, LLC; Executive Chairman InContext Solutions, Inc; Director-BlueStar SeniorTech)	0	0	DBR & Associates 100%
Kirk Olliff (Fort Worth, TX, United States)	None	EVP & National Director of Advisor Operations - First Command Financial Services, Inc.; Director - First Command Financial Services, Inc.	None	None	0	0	None

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First Command Financial Services, Inc.
Fort Worth, Texas
Fiscal Year Ending September 30, 2020

Report Item 4: Insiders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with holding company	(3)(a) Title & Position with holding company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	(4)(a) Percentage of Voting Securities in holding company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Sunday Grace (Aledo, TX, United States)	None	SVP, CFO - First Command Financial Services, Inc.	Director - First Command Advisory Services, Inc	Director - First Command Education Foundation	0	0	None
Hugh A. Simpson (Fort Worth, TX, United States)	None	EVP, Secretary and General Counsel - First Command Financial Services, Inc.	Director - First Command Insurance Services, Inc.; Director, President & Secretary - First Command Europe Limited; Director, Vice President & Secretary - First Command Life Insurance, Inc.	None	0	0	None
Wm. David White (Fort Worth, TX, United States)	None	EVP Banking - First Command Financial Services, Inc.	Director & CEO - First Command Bank	None	0	0	None
Jill V. Lyttle (Fort Worth, TX, United States)	None	EVP, Human Resources & Leadership Development - First Command Financial Services, Inc.	None	None	0	0	None
Amy Jean Doherty (Fort Worth, TX, United States)	None	EVP & COO - First Command Financial Services, Inc.	None	None	0	0	None
Edward J Daffron (Fort Worth, TX, United States)	None	SVP, Advisor Services - First Command Financial Services, Inc.	None	Owner - Gringo de Mayo, LLC	0	0	Gringo de Mayo, LLC 100%
Kelleen M. Richter (Fort Worth, TX, United States)	None	EVP, Chief Marketing & Client Experience Officer - First Command Financial Services, Inc.	None	Director - First Command Education Foundation	0	0	None
Timothy Stewart Marling (Colleyville, TX, United States)	None	SVP Strategic Planning - First Command Financial Services, Inc.	Director - First Command Life Insurance Company	Director - First Command Education Foundation	0	0	None

CONSOLIDATED AUDIT REPORT AND SUPPLEMENTAL SCHEDULES

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
September 30, 2020

FIRST COMMAND
Get Squared Away

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES

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Independent Auditor's Report

To the Board of Directors of
First Command Financial Services, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of First Command Financial Services, Inc. (the Company) and its subsidiaries, which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Command Financial Services, Inc. and its subsidiaries as of September 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107
Main: 817.332.7905
CPAs AND ADVISORS | WEAVER.COM

The Board of Directors of
First Command Financial Services, Inc. and Subsidiaries

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 9, 2020

CONSOLIDATED FINANCIAL STATEMENTS

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 14,776,173	$ 6,610,467
Marketable securities		
Trading, at fair value	102,307,555	36,028,972
Available-for-sale debt securities, at fair value (amortized cost of $118,816,407 and $173,955,914 in 2020 and 2019, respectively)	128,064,613	181,399,567
Commissions and fees receivable	46,839,631	43,880,892
Accounts receivable	4,126,968	4,077,030
Property, equipment, and software, net of accumulated depreciation and amortization of $95,757,331 and $86,929,334 in 2020 and 2019, respectively	45,166,485	43,696,438
Deferred acquisition costs	4,093,563	4,220,223
Prepaid expenses	6,839,306	5,744,619
Advisor advanced commissions	5,518,858	5,857,385
First Command Bank assets		
Cash and due from banks	80,113,676	78,334,549
Investments		
Trading, at fair value	6,066,914	-
Available-for-sale debt securities, at fair value (amortized cost of $75,061,162 and $52,450,366 in 2020 and 2019, respectively)	76,127,861	52,588,595
Held-to-maturity, at cost (fair value of $364,267,180 and $314,258,165 in 2020 and 2019, respectively)	360,557,054	313,666,629
Federal Home Loan Bank stock, at cost	1,099,500	1,084,000
Loans, net of allowance for loan losses of $3,133,991 and $2,424,091 in 2020 and 2019, respectively	367,555,972	320,602,710
Property, equipment, and software, net of accumulated depreciation of $10,465,631 and $9,374,988 in 2020 and 2019, respectively	12,184,232	13,254,902
Accrued interest receivable and other assets	7,423,990	6,544,906
TOTAL ASSETS	$ 1,268,862,351	$ 1,117,591,884

See notes to consolidated financial statements.

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019

	2020	2019
LIABILITIES		
Accrued bonuses payable	$ 12,494,607	$ 12,997,315
Accrued commissions payable	20,420,641	19,228,042
Accounts payable and other liabilities	14,479,777	11,223,186
Advance commissions payable	12,574,424	12,045,381
Accrued Mission Accomplishment Plan payable	236,475,445	227,582,553
Deferred Career Commission Plan payable	13,576,463	13,870,345
Accrued employee retirement contributions	6,735,401	6,908,919
Future policy benefits	21,418,574	20,029,218
First Command Bank liabilities		
Deposits	828,491,538	703,618,255
Accrued interest payable and other liabilities	6,424,690	5,985,696
Total liabilities	1,173,091,560	1,033,488,910
STOCKHOLDER'S EQUITY		
Capital stock	63,366	63,366
Additional paid-in capital	6,487,946	6,487,946
Retained earnings	81,684,040	72,256,528
Accumulated other comprehensive income	8,640,840	6,400,535
Treasury stock	(1,105,401)	(1,105,401)
Total stockholder's equity	95,770,791	84,102,974
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 1,268,862,351	$ 1,117,591,884

See notes to consolidated financial statements.

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Asset management fees	$ 138,172,421	$ 128,711,693
Insurance commissions	82,052,205	81,314,761
Investment commissions	13,226,234	11,451,022
Asset based fees	30,263,070	28,643,769
Service fee income	23,441,633	23,844,774
Financial planning fees	1,377,900	1,621,420
Total revenue from contracts with customers	288,533,463	275,587,439
Investment income	6,898,643	7,930,912
Trading (losses) gains, net	6,236,429	(1,107,172)
Losses (gains) on sale of marketable securities, net	997,210	(173,407)
Other income, net	12,059	69,776
Total revenue	302,677,804	282,307,548
OPERATING EXPENSES		
Commissions and advisor expenses	(153,335,130)	(140,898,794)
Mission Accomplishment Plan	(35,574,830)	(38,319,130)
General and administrative expenses	(111,736,890)	(111,532,417)
Interest expense	(71)	(424)
Total operating expenses	(300,646,921)	(290,750,765)
FIRST COMMAND BANK OPERATIONS		
Interest income on loans	17,757,380	16,974,266
Interest income on investments	8,537,840	10,312,038
Trading (losses) gains, net	117,100	-
Interest expense on deposits	(1,018,342)	(1,178,531)
Provision for loan losses	(1,581,452)	(1,251,537)
Service fee and other income	19,969,509	17,985,880
General and administrative expenses	(26,699,691)	(25,139,610)
Total First Command Bank operations	17,082,344	17,702,506
INCOME BEFORE INCOME TAXES	19,113,227	9,259,289
PROVISION FOR INCOME TAXES	(241,583)	(122,471)
NET INCOME	$ 18,871,644	$ 9,136,818

See notes to consolidated financial statements.

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CONSOLIDATED NET INCOME	$ 18,871,644	$ 9,136,818
Net change in unrealized gains on available-for-sale securities during the period	3,509,537	8,482,174
Reclassification adjustment for net (gains) losses included in net income	394,171	(475,502)
Cumulative effect adjustment for adoption of ASU 2016-01	(1,170,716)	-
Deferred tax benefit related to change in unrealized gains and losses on FCLIC securities available-for-sale	(492,687)	(1,042,759)
Net change in other comprehensive income	2,240,305	6,963,913
CONSOLIDATED COMPREHENSIVE INCOME	$ 21,111,949	$16,100,731

See notes to consolidated financial statements.

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholder's Equity
BALANCE, September 30, 2018	$ 63,366	$ 6,487,946	$ 71,877,879	$ (563,378)	$ (1,105,401)	$ 76,760,412
Net income	-	-	9,136,818	-	-	9,136,818
Other comprehensive income, net change in unrealized holding gains and losses on securities available for sale, net of tax expense of $1,042,759	-	-	-	6,963,913	-	6,963,913
S Distribution paid	-	-	(8,758,169)	-	-	(8,758,169)
BALANCE, September 30, 2019	63,366	6,487,946	72,256,528	6,400,535	(1,105,401)	84,102,974
Net income	-	-	18,871,644	-	-	18,871,644
Other comprehensive income, net change in unrealized holding gains and losses on securities available for sale, net of tax expense of $492,687	-	-	-	2,240,305	-	2,240,305
Adoption of ASU 2016-01			1,170,716	-		1,170,716
S Distribution paid	-	-	(10,614,848)	-	-	(10,614,848)
BALANCE, September 30, 2020	$ 63,366	$ 6,487,946	$ 81,684,040	$ 8,640,840	$ (1,105,401)	$ 95,770,791

See notes to consolidated financial statements.

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING ACTIVITIES		
Net income	$ 18,871,644	$ 9,136,818
Adjustments to reconcile net income to		
net cash provided by operating activities		
Depreciation and amortization expense	10,487,880	9,977,635
Provision for loan losses	1,581,452	1,251,537
Net amortization of Bank investments and marketable securities	2,243,071	1,241,707
Dividends reinvested in marketable securities - trading	(2,922,845)	(2,194,432)
Losses (gains) on sale of marketable securities - net	(997,210)	173,407
Trading losses and (gains) - net	(6,353,529)	1,107,172
Purchase of marketable securities - trading	(23,350,630)	(5,439,355)
Proceeds from sales/maturity of marketable securities - trading	20,310,736	4,374,736
Changes in operating assets and liabilities		
Commissions and fees receivable	(2,958,739)	(1,743,882)
Accounts receivable	(49,938)	(297,066)
Prepaid expenses and other assets	(1,508,584)	363,654
Accounts payable and accrued expenses	5,108,626	2,643,972
Accrued commissions payable	529,043	1,090,529
Accrued Mission Accomplishment Plan payable	8,892,892	14,287,911
Deferred Career Commission Plan payable	(293,882)	(1,095,328)
Net cash provided by operating activities	29,589,987	34,879,015
INVESTING ACTIVITIES		
Purchase of securities		
Bank investments, held-to-maturity	(317,085,746)	(139,717,608)
Bank investments, available-for-sale	(57,500,331)	(2,003,800)
Marketable securities, available-for-sale	(21,692,874)	(47,075,116)
Sales, maturities, calls, paydowns of securities		
Bank investments, held-to-maturity	268,332,523	180,621,902
Bank investments, available-for-sale	28,509,232	24,830,000
Marketable securities, available-for-sale	24,759,738	40,746,735
Purchase of Federal Home Loan Bank stock	(15,500)	(283,800)
Proceeds from redemptions of Federal Home Loan Bank stock	-	3,030,800
Net (increase) decrease in bank loans	(48,534,714)	(34,463,076)
Purchase of property, equipment and software	(10,675,917)	(12,088,160)
Net cash (used in) provided by investing activities	(133,903,589)	13,597,877

See notes to consolidated financial statements.

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
FINANCING ACTIVITIES		
Net change in Federal Home Loan Bank advances	$ -	$ (40,990,000)
Net change in bank deposits	124,873,283	17,635,153
S Distribution paid	(10,614,848)	(8,758,169)
Net cash provided by (used in) financing activities	114,258,435	(32,113,016)
Net change in cash and cash equivalents	9,944,833	14,755,231
CASH AND CASH EQUIVALENTS, beginning of year	84,945,016	70,189,785
CASH AND CASH EQUIVALENTS, end of year	$ 94,889,849	$ 84,945,016
Cash and cash equivalents	14,776,173	6,610,467
Bank cash and due from banks	80,113,676	78,334,549
CASH AND CASH EQUIVALENTS, end of year	$ 94,889,849	$ 84,945,016
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid, net of capitalized interest	$ 1,019,010	$ 1,169,102
Income taxes paid/(collected)	130,000	(155,812)

See notes to consolidated financial statements.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First Command Financial Services, Inc. and subsidiaries (FCFS or the Company) was chartered in Texas in December 1980. The Company began operations in March 1981 as the continuation of a business formerly operated as Independent Research Agency for Life Insurance, Inc. (IRA), a Texas partnership. On December 22, 2000, IRA was renamed First Command Financial Services, Inc.

FCFS is a financial services holding company and owns 100% of First Command Insurance Services, Inc. (FCIS), a general insurance agency; First Command Brokerage Services, Inc. (FCBS) ((formerly First Command Financial Planning, Inc.) (FCFP) and (United Services Planning Association, Inc.) (USPA)), a licensed, fully disclosed broker-dealer registered with the Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA); First Command Advisory Services, Inc. (FCAS), a registered investment advisor with the SEC; First Command Bank (FCB or the Bank), a Federal Savings Bank; First Command Life Insurance Company (FCLIC), a stock reserve life insurance company; and First Command Europe, Ltd. (FCEL), a company offering financial planning, investments and insurance in the United Kingdom and Germany; and First Command Financial Services, Inc. – Montana (FCFS-Montana), a general insurance agency licensed in the state of Montana. The FCFS-Montana operations merged with FCIS effective September 30, 2019.

Effective October 1, 2015, FCFP was restructured into two separate corporate operations. FCFP continues as a mutual fund broker/dealer and will expand its brokerage operations over time. The investment advisory services were transferred to First Command Advisory Services, a new subsidiary of FCFS. Effective_May 15, 2020 FCFS changed the name of its broker-dealer entity from First Command Financial Planning, Inc. (FCFP) to First Command Brokerage Services, Inc. (FCBS). The name change identifies to clients or other third-parties (including regulators) which First Command entity is responsible for providing financial planning services.

Effective October 2, 2019, FCFS-Montana was dissolved.

FCIS is engaged in the sale of life, annuities, long-term care, disability, and property/casualty insurance. FCBS is engaged in the sale of mutual funds and other variable investment products. FCAS is engaged in asset management and financial planning services. The Company shares common employees, sales advisors and representatives, and office facilities with its subsidiaries. The Bank offers a variety of personal and commercial banking products and services that integrate comprehensive financial solutions for individuals and businesses. The Company’s target market is middle income American families with a concentration in United States professional military personnel. Corporate and banking offices are located in Fort Worth, Texas. The Company’s advisors and representatives maintain offices in approximately 170 cities located in 45 states, one U.S. territory, and two foreign countries.

As discussed in Note 11, 100% of the Company’s outstanding common stock is owned by the First Command Financial Planning, Inc. Employee Stock Ownership Plan Trust.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Principles of Consolidation

The consolidated financial statements include the accounts of FCFS and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates include allowance for loan losses and reserves for future policy benefits. Actual results could differ from those estimates.

Recognition of Revenue

Effective October 1, 2018, the Company adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers and related amendments. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects in exchange for those goods or services. To achieve that core principle, an entity applies the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The adoption of the new standard did not have a significant impact on the Company's consolidated financial statements and no adjustment to opening retained earnings was recorded. The Company has applied the guidance to all contracts at the initial application.

The Bank's revenue is comprised of interest income on loans and investments, which is explicitly excluded from the scope of ASU 2014-09. The Bank's service fee and other income is comprised primarily of trust fees which are based on trust assets under management. The trust fees are included in the scope of ASU 2014-09 and were $13,240,408 and $11,521,666 for the years ended September 30, 2020 and 2019, respectively.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Asset Management Fees

The Company receives asset management fees based upon the average daily balance of the individual investor assets under management calculated on a quarterly basis. For these variable amounts, as the uncertainty is dependent on the value in the account at future points in time as well as the length of time the investor retains the services, both of which are highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint until the average daily balance and the investor activities are known, usually quarterly. The Company believes that the performance obligation is on-going asset management to clients' managed accounts. Fees are paid to the Company, usually quarterly. Asset management fees are recognized in the current period as the performance obligations are satisfied.

Commissions Revenue

The Company sells third-party various insurance policies, mutual funds, variable annuities, variable universal life insurance, and other brokerage investments to its clients. Each time a client enters into a transaction, the third-party entity charges a commission to the client. The Company recognizes and records commissions revenue on the third-party trade date or policy premium payment date. The Company believes that the performance obligation is satisfied on the trade date or policy premium payment date since the underlying client and financial instrument are identified, the pricing is agreed upon, and the risks and rewards of ownership have been transferred to/from the client. Commissions are paid to the Company, usually monthly, as they are earned on investments made, and premiums paid by the individual investors and policy holders.

Asset Based Fees

12b-1 and Variable product fees

The Company enters into arrangements with mutual fund companies and other pooled investment vehicles (funds) to distribute shares to investors. These third-party entities charge clients a 12b-1 or asset based fee to help offset costs associated with providing ongoing service and support related to the sale and marketing of certain mutual funds and other variable investments. 12b-1 and variable product fees are usually shared with the broker-dealers that offer such funds. These fees are based on the client accounts' average daily balance of the funds over the prior month or quarter. For these variable amounts, as the uncertainty is dependent on the value of the shares at future points in time as well as the length of time the investor remains in the fund, both of which are highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint until the market value of the fund and the investor activities are known, which are usually monthly or quarterly. The Company believes its performance obligation is ongoing support and service to mutual fund and variable investment companies. 12b-1 and variable product fees are recognized in the current period as the performance obligations are satisfied.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Asset Based Fees – Continued

Revenue sharing

The Company receives payments based on net assets invested and/or fund sales for the marketing support and client service it provides on behalf of the distributors of certain mutual fund companies. These fees are paid by the distributor of the funds from their own assets and resources, not the assets of the funds. There is no additional cost to clients, shareholders, or the funds. These fees are based on the client accounts' average daily balance of the funds and/or fund sales over the prior quarter. For these variable amounts, as the uncertainty is dependent on the value of the shares at future points in time and future sales, as well as the length of time the investor remains in the fund, both of which are highly susceptible to factors outside the Company's influence, the Company believes its performance obligation is ongoing support and service to mutual fund companies. The Company normally receives these fees quarterly. Revenue sharing is recognized in the current period as the performance obligations are satisfied.

Service Fee Income

Account service fee income includes service fee income for brokerage back office operations from an affiliate's asset management operations. The Company believes that its performance obligation is based on the services provided to an affiliate and client investors. Account service fee income is recognized at the time the services are provided, which is generally, monthly, when fees are received.

Advisor service fee income represents monthly fees paid by the Company's sales advisors for systems access, compliance, marketing, and other similar services. Advisor service fee income is recognized as earned at the time the services are provided.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Service Fee Income

The following table represents revenue by major source:

	2020	2019
Revenue from contracts with customers		
Asset management fees	$ 138,172,421	$ 128,711,693
Insurance commissions		
Whole life	64,371,437	62,847,708
Term life	2,506,775	2,335,515
Universal life	6,508,362	7,698,687
Long term care	4,288,062	3,838,079
Fixed annuities	3,921,650	4,191,479
Disability	390,061	336,561
Property & casualty	65,858	66,732
Total insurance commissions	82,052,205	81,314,761
Investment commissions		
Mutual funds	10,522,724	9,202,362
Variable product fees	2,698,677	2,245,328
Other brokerage	4,833	3,331
Total investment commissions	13,226,234	11,451,022
Asset based fees		
12b-1 fees	20,526,342	19,534,765
Variable products	2,700,172	2,685,202
Revenue Sharing	7,036,556	6,423,802
Total asset based fees	30,263,070	28,643,769
Service fees		
Account service fees	18,962,007	17,794,853
Advisor service fees	2,252,760	2,601,438
First Command Life operations	2,207,385	2,257,981
Tax preparation fees	19,481	1,190,503
Total service fees	23,441,633	23,844,774
Financial planning fees	1,377,900	1,621,420
Total revenue from contracts with customers	$ 288,533,463	$ 275,587,439

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Commissions and Fees Receivable

As the Company recognizes revenue, commissions and fee receivables are recorded in the consolidated statement of financial condition. Commissions receivable represents $860,839 and $1,203,964 due from mutual fund companies and insurance companies for the sale and servicing of investment products by the Company's sales advisors as of September 30, 2020 and October 1, 2019, respectively. The fees receivable represents the accrual of $45,978,792 and $42,676,928 of fees for assets under the Company's management and are collected on a quarterly basis as of September 30, 2020 and October 1, 2019, respectively.
Commissions receivable represents $1,203,964 and $1,268,497 due from mutual fund companies and insurance companies for the sale and servicing of investment products by the Company's sales advisors as of September 30, 2019 and October 1, 2018, respectively. The fees receivable represents the accrual of $42,676,928 and $40,868,513 of fees for assets under the Company's management and are collected on a quarterly basis as of September 30, 2019 and October 1, 2018, respectively.

Based on historical collections, no allowance is deemed necessary on commissions and fee receivables.

Accounts Receivable

Accounts receivable include bond interest income, fees from investors' individual retirement custodial accounts, advisor receivables and other. Advisor receivables include chargebacks for certain commissions and incentives. Based on historical collections, an allowance is only deemed necessary on advisor receivables. This allowance is based on the age of the receivable, advisor termination date, and collectability of the receivable. Balances are written off after 48 months.

Advisor Advanced Commissions

In 2013, FCIS began advancing approximately nine months of commissions to advisors for certain life insurance sales. The amount advanced is treated as a prepaid expense (an asset) and amortized to commission expense as the policy matures over its first year. If the insurance policy cancels during the first nine months, the unamortized amount advanced is recorded as a receivable from the advisor. FCIS records an allowance on these receivables based on persistency of insurance policies, advisor force retention, and collectability of these advisor receivables. Balances are written off after 48 months.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advisor Advanced Commissions - Continued

From October 2015 through April 2017, FCBS advanced approximately 66 months of commissions to advisors for certain mutual fund sales. The amount advanced is treated as a prepaid expense (an asset) and amortized to commission expense as commission revenue is earned on future client investment payments over the 66 months. If the account cancels or periodic investments cease during the 66 months, the unamortized amount advanced is recorded as a receivable from the advisor. FCBS records an allowance on these receivables based on persistency of mutual fund accounts, advisor force retention and collectability of these advisor receivables. Balances are written off after 48 months.

Commissions and Advisor Expenses

Commissions and advisor expenses are recognized as the Company earns the respective commission and fee revenue.

Marketable Securities and Bank Investments

The Company classifies investments in debt securities into one of three categories: held-to-maturity, trading or available-for-sale. Debt securities. that the Company has the positive intent and ability to hold to maturity, are classified as held-to-maturity and recorded at cost, adjusted for the amortization of premiums and the accretion of discounts.

The Company classifies securities owned by FCBS as trading in accordance with industry standards for broker-dealers. Additionally, the Company has classified certain investments as trading that have been designated to support deferred compensation liabilities discussed in the Deferred Career Compensation Plan and Mission Accomplishment Plan captions below. In addition, marketable equity securities are included in trading securities at September 30, 2020 due to the adoption of ASU 2016-01. Investments classified as trading are carried at fair value with changes in unrealized gains and losses recorded in trading gains and losses within current year operations.

Investments in debt securities that are not classified as held-to-maturity or trading are classified as available-for-sale. Investments classified as available-for-sale are carried at fair value with unrealized gains and losses, net of deferred taxes, recorded in accumulated other comprehensive income. Premiums are amortized into interest income using the interest method to the earlier of maturity or call date. Discounts are accreted into interest income using the interest method over the period to maturity.

The Company's portfolio of held-to-maturity debt and available-for-sale debt securities fluctuates in value based on interest rates in financial markets and other economic factors. These fluctuations caused by market changes have little bearing on whether or not the investment will ultimately be recoverable. Therefore, the Company considers these

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Marketable Securities and Bank Investments – Continued

declines in value as temporary even in periods exceeding one year. In certain circumstances, however, it may become apparent that the principal of an investment may not be recoverable, generally due to factors specific to an individual issuer and not market interest rates. In this event, the Company classifies such investments as other-than temporarily impaired and writes the investment down to fair value, realizing an investment loss. The determination that a security is other-than-temporarily impaired is highly subjective and involves the careful consideration of many factors. These factors include: default on a payment, issuer has declared bankruptcy, severe deterioration in market value, deterioration in credit quality as indicated by credit ratings, issuer having serious financial difficulties as reported in the media, news releases by issuer, and information disseminated through the investment community. While all available information is taken into account, it is difficult to predict the amount of a distressed or impaired security that will ultimately be recoverable.

Realized gains and losses are included in operations, and are determined by using an average cost basis for investments in mutual funds and on a specific identification basis for all other investments. Dividends and capital gains from mutual fund investments are included in investment income and recorded as declared. Interest income is also included in investment income and recorded as earned.

Concentration of Credit Risk

Financial instruments that potentially subject FCFS to concentrations of credit risk consist principally of temporary cash investments, commissions and fees receivable, other receivables, marketable securities investments, and loans to military-related personnel. FCB commercial loans are concentrated in the dental and veterinarian industries. FCFS places its temporary cash investments and marketable securities with financial institutions and investment companies. Therefore, the majority of these funds are not insured by the Federal Deposit Insurance Corporation. Concentrations of credit risk with respect to commissions and fees and other receivables are limited due to the number of investment and insurance companies comprising FCFS' supplier base. Loans to military-related personnel are primarily consumer loans with an average balance of approximately $24,652 per loan at September 30, 2020 and $24,284 per loan at September 30, 2019. There is no concentration of credit risk to a specific commercial loan borrower since the greatest exposure to a single borrower is $ 5.2 million.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash, money market accounts and the Bank's cash and due from banks.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, Equipment, and Software

Property, equipment, and software are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Office buildings and improvements	7-40 years
Office equipment, furniture, automobiles and software	3-10 years

Expenditures for maintenance, repairs, and minor renewals are charged to operations as incurred.

Bank Loans and the Allowance for Loan Losses

Loans are stated at their unpaid principal balances, less the allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. The Company capitalizes loan origination costs and amortizes these costs as an adjustment to yield over the estimated life of the loan.

The allowance for loan losses is a valuation allowance for losses on loans and binding commitments. The allowance is established through a provision for loan losses charged against income. Loans which management believes are uncollectible are charged against the allowance, with subsequent recoveries, if any, credited to the allowance.

The allowance for loan losses and related provision are determined based on the historical credit loss experience and changes in the nine qualitative factors provided in the Office of the Comptroller of the Currency (OCC) Guidance including loan portfolio, size, mix and risk of the individual loans, external factors such as competition, regulatory requirements and current economic conditions. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio as of the balance sheet date.

Management determines the allowance for consumer and small business loans based on tools which evaluate the average loan balances in each aging category and recent performance trends. The calculation forecasts the monthly progression of loans and charge-offs in each aging category using a rolling historical migration of loans, past due history and expected charge-offs. Management also evaluates the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, economic conditions, and other risks inherent in the portfolio at the balance sheet date.

Commercial loans and real estate loans are evaluated annually for impairment on an individual basis. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Bank Loans and the Allowance for Loan Losses – Continued

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to principal and interest owed. Impairment is measured on a loan by loan basis and each of the following is taken into consideration; the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral. For commercial loans and real estate loans that are not considered impaired, a general reserve is established based on general economic conditions, recent trends in losses, concentrations of credit, trends in delinquencies, the level of troubled debt restructurings, changes in the experience, ability and depth of lending management and the effect of external factors such as competition and regulatory requirements.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due based on the contractual terms of the loan. Commercial loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed through income. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Consumer loans are not placed on non-accrual but are charged-off once the loan reaches 120 days past due, with the exception of credit card loans which are charged-off once the loan reaches 180 days past due.

In response to the impact of the COVID-19 pandemic on customers, the Company is engaging in more frequent communication with borrowers to better understand their situation and challenges. The Company has been offering credit-worthy borrowers experiencing temporary hardship certain loan concessions, such as payment deferrals or interest only payments, as a result of interagency guidance issued on March 22, 2020 encouraging companies to work with customers impacted by COVID-19. Short-term concessions made on a good faith basis in response to COVID-19 borrowers, whose payments were current prior to any relief, will not be considered delinquent so long as they meet their revised obligations. As of September 30, 2020, $752,448 of the loans that were granted deferral payments by the Company were still in their deferment period, and $116,879 were on interest only payments.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Mission Accomplishment Plan

During 1998, the Company's Board of Directors (FCFS Board) authorized a compensation program called the Mission Accomplishment Plan (MAP). The plan is designed to allow certain advisors and key employees to participate in the earnings of the Company. MAP participation is awarded pursuant to a policy based on merit and services provided that is adapted from time to time by the FCFS Board.

The Company establishes an aggregate MAP award pool on an annual basis, which is divided into a Current Award Pool (CAP), Deferred Award Pool (DAP), and Note Award Pool (NAP). The CAP, DAP, and NAP award pools are allocated to participants based on outstanding MAP points, and are charged to Mission Accomplishment Plan expense in the year of the grant. MAP participants are awarded MAP points based on individual performance. The amount of MAP points and the MAP award pools will vary as determined by the Company in its sole discretion.

The CAP allocation is generally paid in cash, while the DAP allocation is credited to a deferred compensation book account for each participant. Amounts credited to the DAP are generally payable to the participant following their termination from the Company or upon the maturity of the DAP ten years after its grant, whichever is earlier. The Note Award Plan (NAP) was a new addition in 2016 to the Mission Accomplishment Plan. The notes issued on NAP have a definite 10-year term with no acceleration of payment allowed. Due to the defined term, the notes qualify as an issuance of subordinated debt and are counted as part of regulatory total capital. The notes are zero coupon notes that are discounted each year at a market rate of interest for similar 10 year debt issuances. The accretion of the discounts on the notes is netted against the MAP expense on the consolidated statements of operations. The NAP award is also credited to a deferred compensation book account for each participant and is payable 10 years from the date of issuance.

As of January 1, 2005, the MAP was amended to allow participants to defer CAP and DAP payment amounts when due into the MAP Elective Deferral Account (EDA). Participants electing to defer amounts in the EDA select mutual funds in which to invest their deferrals and receive the value of the mutual funds selected at the end of the term. The Company purchases shares in mutual fund companies to economically hedge against the EDA. The EDA grants are compensatory, and the participants accept all the market value risk. Each deferral into the EDA has a 5-year term, and participants generally do not receive proceeds until maturity.

The Company records compensation expense in commission and advisor expenses for any increase or decrease in EDA due to market fluctuations. The Company classifies investments designated to these plans as trading and records an increase or decrease to trading gains and losses according to changes in fair value. Thus, there is no net income effect due to the offsetting nature of these transactions.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Mission Accomplishment Plan - Continued

MAP participants have no voting rights with regard to the Company, and the MAP does not confer any rights as a shareholder to such holder. Deferred compensation in the MAP may not be transferred, pledged, assigned, or otherwise encumbered by a participant and is subject to immediate forfeiture if, among other things, the participant is found to have engaged in conduct inimical to the best interests of the Company.

Investments designated to support EDA remain available for use by the Company in its general operations, if needed, and remain at risk to the participants during any downturn in the operating results of the Company.

Deferred Career Commission Plan Payable

During the year ended September 30, 1993, the Company established a Deferred Career Commission Plan (DCCP) for the benefit of its sales advisors. This is a nonqualified plan under which commissions are contributed by the Company for its sales advisors until their business relationship with the Company terminates. The sales advisors receive no paid commissions under this plan prior to their termination date.

The contributions to the plan are allocated to the individual advisors in the DCCP based on a pooled point system. Management invests the contributions based on its sole discretion, at the risk of the plan participants, and each year fluctuations in the market will affect the value of the selected investments. An account is maintained for each participant for the purpose of recording the current value of his or her commissions, including earnings credited thereto. The participant’s account is adjusted annually to reflect earnings and losses.

Points are awarded to advisors only in years when the Company contributes to the DCCP, based on a defined formula using advisor production and longevity. The amount and frequency of contributions to the DCCP are at the sole discretion of the Company.

The Company records compensation expense in commission and advisor expenses for any increase or decrease in DCCP due to market fluctuations. The Company classifies investments designated to DCCP as trading and records an increase or decrease to trading gains and losses for changes in fair value. Thus, there is no net income effect due to the offsetting nature of these transactions.

Investments designated to support DCCP remain available for use by the Company in its general operations, if needed, and remain at risk to the participants during any downturn in the operating results of the Company.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advance Commissions Payable

Advance commissions payable represent payments for first year commissions received from insurance companies that FCIS represents as general agent. The commission revenue is earned over the premium-payment period of the policies sold by FCIS. Advance commissions are adjusted monthly and are calculated to be equal to the difference between the total amount of first year commissions on certain insurance policies sold by FCIS and the amount of the first year commissions earned by FCIS on the policies.

Income Taxes

Since December 1, 1998, the Company has been a Subchapter S corporation for federal income tax purposes. A Subchapter S corporation generally pays no federal income taxes, and its taxable income, if any, is taxed at the stockholder level. FCLIC is not eligible to be a Subchapter S corporation. As a result, FCLIC pays corporate federal income taxes which are accrued to the provision for income taxes. FCEL pays corporate taxes in the United Kingdom, which are accrued to the provision for income taxes.

The Company's provision for income taxes is based on income before income taxes adjusted for permanent differences between financial reporting and taxable income. Deferred tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax basis of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. FCFS files a consolidated tax return that includes all subsidiaries except FCLIC and FCEL. FCFS' sub-chapter S election combined with the ESOP ownership allows taxable income to be deferred until the ESOP participants take distributions from their retirement account.

Tax positions related to the Company's tax status and federal and state requirements have been reviewed, and management is of the opinion that material positions taken by the Company would more likely than not be sustained by examination. Accordingly, the Company has not recorded an income tax liability for uncertain tax benefits.

Life Insurance Operations

FCLIC's principal business activity is the assumption of premiums and benefits associated with certain life insurance policies. FCIS sells life insurance policies through an agency agreement, and the Company in turn assumes a portion of those policies.

Premiums for life insurance contracts are recognized as revenue over the premium-payment period of the policies. The costs of acquiring new business are generally deferred and recorded as deferred acquisition costs, and are amortized in a systematic manner, which matches these costs with the associated revenues. The liability

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Life Insurance Operations - Continued

for future policy benefits for life insurance products is provided on the net level premium method based on estimated investment yields, mortality, morbidity, persistency, and other assumptions which were appropriate at the time the policies were issued. Assumptions used are based on the underwriter's experience with similar products. These estimates are periodically reviewed and compared with actual experience.

The Company accounts for premium income and operating expenses from FCLIC operations within other service fee income and general and administrative expenses, respectively. FCLIC premium income and operating expenses for the year ended September 30, 2020 were $2,207,385 and $2,783,653, respectively, and for the year September 30, 2019 were $2,257,981 and $2,860,175 respectively. These amounts are net of elimination entries.

Recent Accounting Pronouncements

ASU 2016-01, *"Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities."* ASU 2016-01 requires, among other things, (i) equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements, (vii) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for nonpublic business entities, and (viii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. ASU 2016-01 became effective for the Company on October 1, 2019 and did not have a significant impact on the consolidated financial statements. This was implemented by a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amount of the adjustment to equity was $1,170,716. As a result of the adoption of ASU 2016-01, all marketable equity securities were transferred to trading as of October 1, 2019.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements - Continued

Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long Duration contracts – The FASB has issued new guidance regarding improvements to the existing recognition, measurement, presentation and disclosure requirements for long-duration contacts issued by an insurance entity. The guidance was primarily issued to: 1) improve the timeliness of recognizing changes in the liability for future policy benefits and modify the rate used to discount future cash flows; 2) simplify and improve the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts; 3) simplify the amortization of deferred acquisition costs; and 4) improve the effectiveness of the required disclosures. Management is evaluating the new rule and the impact has not been determined. The new rule will be effective in fiscal year 2023.

Leases - The FASB has issued new guidance regarding lessee accounting for recording lease assets and liabilities on the balance sheet. Lessor accounting is largely unchanged. The guidance also requires key lease disclosures. Management is evaluating the new rule and the impact has not been determined. The new rule will be effective in fiscal year 2023.

Current Expected Credit Losses - The FASB has issued new guidance regarding accounting for loan loss reserves and credit losses of available-for-sale debt securities. This new pronouncement requires financial institutions to use historical credit loss experience on financial assets with similar risk characteristics and estimate credit losses over the contractual term of the asset. The new guidance will impact the Bank's accounting for loan loss reserve and all entities' debt securities carried as available-for-sale. The new rule will be effective in fiscal year 2024 and management is evaluating the impact the new standard will have on the Company.

Reclassification

Certain reclassifications have been made to the prior year's data to conform to the current year presentation. These reclassifications had no effect on reported consolidated net income.

Risk and Uncertainties

The spread of a novel strain of coronavirus (COVID-19) in 2020 has caused significant volatility in U.S. and global markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and global economies. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers and vendors, all of which are uncertain and cannot be determined at this time.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

We have evaluated subsequent events after the balance sheet date of September 30, 2020 through December 9, 2020, which is the date the consolidated financial statements were available to be issued.

NOTE 2. MARKETABLE SECURITIES AND INVESTMENT INCOME

Trading Securities

Marketable securities classified as trading consist of investments in actively traded mutual funds and investments in United States government sponsored agency securities. The aggregate cost and fair value of trading securities as of September 30, 2020 and 2019, are as follows:

	2020	2019
Trading securities, at cost	$ 91,447,744	$ 32,626,655
Unrealized gains, net	10,859,811	3,402,317
Trading securities, at fair value	$ 102,307,555	$ 36,028,972

During the years ended September 30, 2020 and 2019, net unrealized gains on marketable securities classified as trading of $6,236,429 and net unrealized losses of $1,107,172, respectively, are included in trading gains (losses), net in the consolidated statements of operations. As a result of the adoption of ASU 2016-01, all marketable securities were transferred to trading as of October 1, 2019. Marketable securities classified as trading consist of investments in actively traded mutual funds. There were no transfers between securities classified as trading, available-for-sale, or held to maturity during fiscal 2019.

Available-for-Sale Securities

The following is a summary of marketable debt securities classified as available-for-sale at September 30, 2020:

2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Collateralized mortgage obligations issued by the U.S. government or sponsored agencies	$ 7,195,088	$ 858,535	$ -	$ 8,053,623
States, municipalities, and political subdivisions	7,712,125	1,214,077	-	8,926,202
Trust Preferred	891,718	147,731	-	1,039,449
Corporate debt securities	102,570,134	7,128,597	(156,699)	109,542,032
Asset-backed securities	447,342	55,965	-	503,307
Total available-for-sale	$ 118,816,407	$ 9,404,905	$ (156,699)	$ 128,064,613

NOTE 2. MARKETABLE SECURITIES AND INVESTMENT INCOME - CONTINUED

Available-for-Sale Securities - Continued

The following is a summary of marketable securities classified as available-for-sale at September 30, 2019:

2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds				
Collateralized mortgage obligations issued by the U.S. government or sponsored agencies	$ 7,449,244	$ 550,634	$ (428)	$ 7,999,450
States, municipalities, and political subdivisions	8,134,825	837,935	-	8,972,760
Trust Preferred	894,681	131,396	-	1,026,077
Corporate debt securities	105,372,918	4,764,286	(90,710)	110,046,494
Asset-backed securities	154,937	29,638	-	184,575
Total bonds	122,006,605	6,313,889	(91,138)	128,229,356
Equities				
Mutual funds	51,949,309	2,320,583	(1,099,681)	53,170,211
Total equities	51,949,309	2,320,583	(1,099,681)	53,170,211
Total available-for-sale	$ 173,955,914	$ 8,634,472	$ (1,190,819)	$ 181,399,567

The Company's marketable securities classified as available-for-sale that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months as of September 30, 2020 and 2019, are as follows:

	Less than 12 Months		12 Months or Longer		Total	
2020	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Collateralized mortgage obligations	$ -	$ -	$ -	$ -	$ -	$ -
States, municipal, and political subdivisions	-	-	-	-	-	-
Corporate debt securities	12,672,988	(73,744)	389,877	(82,955)	13,062,865	(156,699)
Total	$ 12,672,988	$ (73,744)	$ 389,877	$ (82,955)	$ 13,062,865	$ (156,699)

NOTE 2. MARKETABLE SECURITIES AND INVESTMENT INCOME - CONTINUED

Available-for-Sale Securities - Continued

	Less than 12 months		12 Months or Longer		Total	
2019	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Bonds						
Collateralized mortgage obligations	$ -	$ -	$ 243,711	$ (428)	$ 243,711	$ (428)
States, municipal, and political subdivisions	-	-	-	-	-	-
Corporate debt securities	2,411,833	(8,494)	24,804,692	(82,216)	27,216,525	(90,710)
Total bonds	2,411,833	(8,494)	25,048,403	(82,644)	27,460,236	(91,138)
Equities						
Mutual funds	16,011,901	(453,158)	4,957,396	(646,523)	20,969,297	(1,099,681)
Total equities	16,011,901	(453,158)	4,957,396	(646,523)	20,969,297	(1,099,681)
Total	$ 18,423,734	$ (461,652)	$30,005,799	$ (729,167)	$ 48,429,533	$ (1,190,819)

At September 30 2020, there were 14 securities in an unrealized loss position for less than twelve months. Additionally, 5 securities had been in an unrealized loss position twelve months or longer at September 30, 2020. The Company's entire marketable securities portfolio classified as available-for-sale consisted of 336 issues at September 30, 2020.

At September 30, 2019, there were 21 securities in an unrealized loss position for less than twelve months. Additionally, 29 securities had been in an unrealized loss position twelve months or longer at September 30, 2019. The Company's entire marketable securities portfolio classified as available-for-sale consisted of 347 issues at September 30, 2019.

The change in the loss positions in fixed maturity instruments are primarily due to changes in interest rates since the date of purchase of the security. The Company does not intend to sell the securities and it is not likely that it will be required to do so before recovery of the amortized cost basis. The Company does not consider these investments to be other-than-temporarily impaired at September 30, 2020 and 2019. During 2020 and 2019, there were no securities that met the other-than-temporarily impaired criteria and no write-downs were recorded.

NOTE 2. MARKETABLE SECURITIES AND INVESTMENT INCOME - CONTINUED

Investment Income, Gains, and Losses

Investment income for the years ended September 30, 2020 and 2019, is summarized as follows:

	2020	2019
Bonds	$ 3,650,121	$ 3,654,571
Equities	2,924,451	3,804,625
Cash and cash equivalents	324,071	471,716
Total investment income	$ 6,898,643	$ 7,930,912

The net unrealized gains of marketable securities and Bank investments classified as available-for-sale, net of tax, are included as a separate component of stockholder's equity as of September 30, 2020 and 2019, as follows:

	2020	2019
Net unrealized gains on marketable securities classified as available-for-sale	$ 9,248,207	$ 7,443,653
Net unrealized gains on bank investments classified as available-for-sale (Note 3)	1,066,699	138,259
Tax effect of net unrealized gains on FCLIC investments reflected in deferred taxes	(1,674,066)	(1,181,377)
Net unrealized gains included in accumulated other comprehensive income (loss)	$ 8,640,840	$ 6,400,535

Maturities

The amortized cost and estimated fair value of bonds and preferred stock classified as available-for-sale at September 30, 2020, by contractual maturity, are as follows:

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 17,464,126	$ 17,493,425
Due from one to five years	60,206,383	61,675,206
Due from five to ten years	5,224,144	6,030,476
Due after ten years	35,474,412	42,362,199
Asset-backed securities	447,342	503,307
Total	$ 118,816,407	$ 128,064,613

Expected maturities may differ from contractual maturities because issuers have the right to call or prepay obligations.

NOTE 2. MARKETABLE SECURITIES AND INVESTMENT INCOME - CONTINUED

Maturities - Continued

Proceeds from maturities, calls and sales of marketable securities available-for-sale were $24,759,738 in fiscal 2020. Gross gains and gross losses realized on those sales were $102,044 and $15,309 respectively. Proceeds from sales of marketable securities classified as trading were $20,310,736 in fiscal 2020. Gross gains and gross losses realized on those sales were $930,708 and $20,233, respectively.

Proceeds from maturities, calls and sales of marketable securities available-for-sale were $40,746,735 in fiscal 2019. Gross gains and gross losses realized on those sales were $59,663 and $535,165 respectively. Proceeds from sales of marketable securities classified as trading were $4,374,736 in fiscal 2019. Gross gains and gross losses realized on those sales were $302,632 and $537, respectively.

NOTE 3. BANK INVESTMENTS

The following is a summary of Bank investments at September 30, 2020 and 2019:

Trading Securities

Marketable securities classified as trading consist of investments in actively traded mutual funds. As a result of the adoption of ASU 2016-01, all of the bank's marketable securities were transferred to trading as of October 1, 2019.The aggregate cost and fair value of trading securities as of September 30, 2020 are as follows:

Equity securities, at cost	$ 6,000,000
Unrealized gains, net	66,914
Equity securities, at fair value	$ 6,066,914

During the year ended September 30, 2020 net unrealized gains on marketable securities classified as trading of $117,100 are included in trading gains in the consolidated statements of operations. There were no transfers between securities classified as trading, available-for-sale, or held to maturity during fiscal 2019.

NOTE 3. BANK INVESTMENTS

Trading Securities - Continued

2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Trading securities				
Mutual funds	$ 6,000,000	$ 66,914	$ -	$ 6,066,914
Total Trading Securities	6,000,000	66,914	-	6,066,914
Available-for-sale				
Corporate debt securities	75,061,162	1,081,843	(15,144)	76,127,861
Total available-for-sale	75,061,162	1,081,843	(15,144)	76,127,861
Held-to-maturity-debt securities issued by the U.S. government or sponsored agencies				
US Treasury Bills	20,000,000	-	(50)	19,999,950
Agency notes	93,160,839	297,383	(2,510)	93,455,712
Collateralized mortgage obligations	150,480,802	4,089,636	(98,804)	154,471,634
Mortgage-backed securities	61,827,493	367,382	(387,718)	61,807,157
Total	325,469,134	4,754,401	(489,082)	329,734,453
Other asset-backed securities				
Collateralized loan obligations	35,087,920	365	(555,558)	34,532,727
Total held-to-maturity	360,557,054	4,754,766	(1,044,640)	364,267,180
Total	$435,618,216	$ 5,836,609	$ (1,059,784)	$440,395,041

2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale				
Corporate debt securities	$ 46,450,336	$ 209,812	$ (21,366)	$ 46,638,782
Mutual funds	6,000,000	-	(50,187)	5,949,813
Total available-for-sale	52,450,336	209,812	(71,553)	52,588,595
Held-to-maturity-debt securities issued by the U.S. government or sponsored agencies				
Agency notes	66,762,774	7,816	(60,893)	66,709,697
Collateralized mortgage obligations	187,277,352	1,617,715	(747,202)	188,147,865
Mortgage-backed securities	25,967,931	106,018	(194,828)	25,879,121
Total	280,008,057	1,731,549	(1,002,923)	280,736,683
Other asset-backed securities				
Collateralized loan obligations	33,658,572	11,494	(148,584)	33,521,482
Total held-to-maturity	313,666,629	1,743,043	(1,151,507)	314,258,165
Total	$366,116,965	$ 1,952,855	$ (1,223,060)	$366,846,760

NOTE 3. BANK INVESTMENTS

Trading Securities - Continued

Debt securities issued by the U.S. government include agency notes, collateralized mortgage obligations, mortgage-backed securities and hybrid adjustable-rate mortgage securities. Management believes these securities bear little or no credit risk since they are U.S. government securities. The Bank has no private label mortgage-backed securities. The Bank invests in AA and A rated collateralized loan obligations ("CLOs"). The CLOs consist of a diversified portfolio of broadly syndicated loans and do not have direct exposure to real estate, mortgages, sub-prime debt, or consumer based debt.

The amortized cost and estimated fair value of Bank investments in debt securities at September 30, 2020, by contractual maturity, are as follows:

	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 22,000,000	$ 22,006,128	$25,882,830	$26,041,889
Due from one to five years	30,006,888	30,008,435	48,086,216	48,986,059
Due from five to ten years	61,153,951	61,441,099	1,092,116	1,099,913
Due after ten years	-	-		
Collateralized loan obligations	35,087,920	34,532,727		
Collateralized mortgage obligations	150,480,802	154,471,634		
Mortgage-backed securities	61,827,493	61,807,157		
Total	$360,557,054	$364,267,180	$75,061,162	$76,127,861

Expected maturities may differ from contractual maturities because issuers have the right to call or prepay obligations. Collateralized loan obligations, collateralized mortgage obligations and mortgage-backed securities (adjustable-rate) are shown separately since they are not due at a single maturity date.

There were two corporate debt securities sold during fiscal 2020 with a carrying amount totaling $3,101,250 for a gain of $38,018. There were no sales of Bank Investments during fiscal 2019.

The Bank's investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months as of September 30, 2020 and 2019, are as follows:

NOTE 3. BANK INVESTMENTS – CONTINUED

Trading Securities - Continued

	Less than 12 Months		12 Months or Longer		Total	
2020	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available-for-sale						
Corporate debt securities	$ 8,153,288	$ (15,144)	$ -	$ -	$ 8,153,288	$ (15,144)
Total available-for-sale	8,153,288	(15,144)	-	-	8,153,288	(15,144)
Held-to-maturity-debt securities issued by the U.S. government or sponsored agencies						
US Treasuries	19,999,950	(50)	-	-	19,999,950	(50)
Agency notes	4,997,490	(2,510)	-	-	4,997,490	(2,510)
Collateralized mortgage obligations	12,884,997	(68,159)	9,329,313	(30,645)	22,214,310	(98,804)
Mortgage-backed securities	36,669,351	(385,662)	397,165	(2,056)	37,066,516	(387,718)
Total	74,551,788	(456,381)	9,726,478	(32,701)	84,278,266	(489,082)
Other asset-backed securities						
Collateralized loan obligations	2,903,160	(47,384)	26,629,202	(508,174)	29,532,362	(555,558)
Total held-to-maturity	77,454,948	(503,765)	36,355,680	(540,875)	113,810,628	(1,044,640)
Total	$ 85,608,236	$ (518,909)	$ 36,355,680	$ (540,875)	$ 121,963,916	$ (1,059,784)

	Less than 12 Months		12 Months or Longer		Total	
2019	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Available-for-sale						
Corporate debt securities	$ -	$ -	$ 6,921,947	$ (21,366)	$ 6,921,947	$ (21,366)
Mutual funds	-	-	5,949,814	(50,187)	5,949,814	(50,187)
Total available-for-sale	-	-	12,871,761	(71,553)	12,871,761	(71,553)
Held-to-maturity-debt securities issued by the U.S. government or sponsored agencies						
Agency notes	-	-	43,151,969	(60,893)	43,151,969	(60,893)
Collateralized mortgage obligations	10,200,122	(48,615)	64,277,312	(698,587)	74,477,434	(747,202)
Mortgage-backed securities	19,930,681	(184,228)	900,942	(10,600)	20,831,623	(194,828)
Total	30,130,803	(232,843)	108,330,223	(770,080)	138,461,026	(1,002,923)
Other asset-backed securities						
Collateralized loan obligations	8,579,445	(33,537)	23,450,048	(115,047)	32,029,493	(148,584)
Total held-to-maturity	38,710,248	(266,380)	131,780,271	(885,127)	170,490,519	(1,151,507)
Total	$ 38,710,248	$ (266,380)	$ 144,652,032	$ (956,680)	$ 183,362,280	$ (1,223,060)

NOTE 3. BANK INVESTMENTS – CONTINUED

Trading Securities - Continued

At September 30, 2020, the number of securities classified as held-to-maturity in an unrealized loss position for less than twelve months and for twelve months or longer were 19 and 25, respectively. At September 30, 2020 the number of securities classified as available-for-sale in an unrealized loss position for less than twelve months and for twelve months or longer were 7 and 0, respectively. The Bank's entire investment portfolio consisted of 230 issues at September 30, 2020.

At September 30, 2019, the number of securities classified as held-to-maturity in an unrealized loss position for less than twelve months and for twelve months or longer were ten and seventy-three, respectively. At September 30, 2019 the number of securities classified as available-for-sale in an unrealized loss position for less than twelve months and for twelve months or longer were zero and five, respectively. The Bank's entire investment portfolio consisted of 186 issues at September 30, 2019.

The unrealized losses at September 30, 2020 and 2019 are primarily a result of changes in interest rates during the respective periods. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the principal amount of the investment. The Bank does not intend to sell the securities and it is not likely that it will be required to do so before recovery of the amortized cost basis. The Bank does not consider any investments to be other-than-temporarily impaired at September 30, 2020 and 2019.

The Bank's Trust department is the custodian of certain clients' assets. As of September 30, 2020 and 2019, Bank investments with an amortized cost of $26,341,914 and $16,007,585, respectively, were pledged as collateral on Trust held assets.

The Bank has a secured contingency borrowing line with the Federal Home Loan Bank of Dallas (FHLB) and pledges eligible investment securities as defined in its blanket lien agreement with the FHLB. As of September 30, 2020 and 2019, Bank investments with an amortized cost of $129,760,989 and $230,720,724, respectively, were pledged as collateral on this borrowing line.

The Bank has a secured contingency borrowing line with the Federal Reserve Bank of Dallas. As of September 30, 2020 and 2019, bank investments with an amortized cost of $10,279,851 and $10,103,772, respectively, were pledged as collateral on this borrowing line.

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT

Loans as of September 30, 2020 and 2019 consisted of the following:

	2020	2019
Commercial and industrial		
Commercial	$ 83,290,982	$ 70,400,325
Paycheck Protection Program	28,669,757	-
Small business	11,510,443	11,600,332
Total commercial and industrial	123,471,182	82,000,657
Real estate		
Commercial mortgages	47,657,218	42,466,468
Land	33,946	38,102
Total real estate	47,691,164	42,504,570
Open ended consumer loans		
Consumer credit cards	21,215,306	25,712,382
Total open ended consumer loans	21,215,306	25,712,382
Consumer and other term loans		
General consumer	167,676,219	166,263,160
Auto loans	10,636,092	6,546,032
Total consumer and other term loans	178,312,311	172,809,192
Total loans	$ 370,689,963	$ 323,026,801

Loan Origination and Risk Management - The Bank has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

The Bank utilizes FCFS advisors for customer referrals for commercial and consumer loan transactions. The advisors are not involved in any credit decisions or underwriting of the credit. They either refer the prospect or client to the lending staff or request the lending staff to contact the prospect or client directly. The advisor may assist in gathering the necessary documentation needed for underwriting. If the loan transaction is funded, the advisor may qualify for a bank support fee paid as a result of the closing. The typical borrower referred to the Bank by the advisor also has purchased other insurance or financial planning products from the advisor and this relationship with the advisor has provided for low historical charge-offs. Consumer and small business loans generated through this channel average $20,395 and are considered one homogeneous pool for establishing the level of loss allowances due to similar distribution channels, consistent performance and small average balances.

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Commercial and industrial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. The Bank's management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed, other business assets such as mutual fund holdings or a blanket lien on receivables, inventory and equipment. Since the majority of commercial and industrial loans represent professional practice loans to doctors, dentists, and veterinarians, they also generally incorporate a personal guarantee. However, some short-term loans may be made on an unsecured basis. Management monitors the concentration of credit risk by purpose of loans and gives consideration to certain regulations that affect these borrowers in the risk assessment. In monitoring concentrations in the commercial loan portfolio, the Bank management and their Board have established a limit for practice acquisition loans of 175% of the Bank's capital and at September 30, 2020 and September 30, 2019 were well within this guideline. The increased risk in commercial loans is due to the type of collateral securing these loans. The increased risk also derives from the expectation that commercial loans generally will be serviced principally from the operations of the business, and the success of those operations may vary from expectations. As a result of these additional complexities, variables and risks, commercial loans require more thorough underwriting and servicing than other types of loans. The Company is participating in the Paycheck Protection Program ("PPP"), which is being administered by the Small Business Administration ("SBA"). It is the Company's understanding that loans funded through the PPP program are fully guaranteed by the U.S. government and that a portion of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate and are typically amortized over a 10 to 25 year period. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the business conducted on the property securing the loan or on the successful operation of the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Bank's commercial real estate portfolio are diverse in terms of geographic location with 18% in Florida, 16% in Texas, 12% in North Carolina, and no other state having more than 10%. This diversity helps reduce the Bank's exposure to adverse economic events that may affect any single market or industry. In monitoring concentrations in loans secured by real estate, the Bank management and their Board have established a limit of 300% of the Bank's capital and at September 30, 2020 and 2019 were well within this guideline. As a general rule, the Bank avoids financing undesirable special-purpose projects

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

unless underwriting factors are present to help mitigate risk. The underwriting analysis includes careful consideration of the property's operating history, future operating projections, current and projected occupancy, location and physical condition, credit verification, analysis of global cash flows, appraisals and a review of the financial condition of the borrower. At September 30, 2020, approximately 99% of the outstanding principal balance of the Bank's commercial real estate loans was secured by owner-occupied properties.

The Bank originates consumer loans utilizing a computer-based credit scoring analysis to supplement the underwriting process. Consumer loans made by the Bank include debt consolidation loans, automobile loans, recreational vehicle loans, boat loans, home improvement loans, personal loans (collateralized and uncollateralized), and deposit account collateralized loans largely made to clients of the Company. The terms of these loans typically range from 12 to 72 months and vary based upon the nature of collateral and size of loan. The Bank also has a portfolio of open-ended revolving credit card loans most of which are referred through the advisor network to Company clients. FCB offers credit card products to clients, of which 93% of the portfolio is made up of variable, low rate credit cards which are approved through the same underwriting process as our unsecured loan clients so they look and perform similarly. The other 7% are a fixed mid-rate credit card typically offered to new credit users or students. Both accounts offer a rewards program where the cardholder can redeem points for travel or merchandise. Also, both accounts have fees below industry norm.

In general, consumer loans entail greater risk than real estate secured loans, particularly in the case of consumer loans that are unsecured or collateralized by rapidly depreciating assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan balance. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as needed, by management. This activity, coupled with relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, trend and outlook reports are reviewed by management on a regular basis.

Related Party Loans

In the ordinary course of business, the Bank has granted loans to FCFS's directors, officers and their affiliates, including corporations and firms of which they are officers or in which they and/or their families have an ownership interest (collectively referred to as "related parties"). These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unaffiliated persons and do not involve more than normal risk of collectability. Activity in related party loans for the periods ended September 30, 2020 and 2019 is presented in the following table:

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Related Party Loans -Continued

	2020	2019
Beginning balance	$ 451,000	$ 461,000
Increase in credit extended	1,089,000	22,500
Decrease in credit extended	-	(32,500)
Ending balance	$ 1,540,000	$ 451,000

As of September 30, 2020, FCFS had no guaranteed advisors' bank loans. As of September 30, 2019, FCFS had guaranteed two advisors' bank loans with a total balance of $64,617. These loans were secured by a FCFS $66,175 certificate of deposit at FCB.

Past Due and Non-Accrual Loans

Loans are considered past due if the required principal and interest payments have not been received as of the date such payment is due. The Bank generally places a loan on non-accrual status and ceases accruing interest when the payment of principal and interest is delinquent for 90 days or earlier in some cases, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. As of September 30, 2020 and 2019 the Bank had no loans on non-accrual.

An age analysis of past due loans, segregated by class of loans, as of September 30, 2020 and 2019 is as follows:

2020	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 Days or More Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
Commercial	$ -	$ -	$ -	$ -	$ 83,290,982	$ 83,290,982	$ -
Paycheck Protection Program	-	-	-	-	28,669,757	28,669,757	-
Small business	-	-	-	-	11,510,443	11,510,443	-
Real estate	-	-	-	-	47,691,164	47,691,164	-
Consumer credit cards	47,998	58,315	5,656	111,969	21,103,337	21,215,306	5,656
Consumer and other	64,268	29,676	47,099	141,043	178,171,268	178,312,311	47,099
Total loans	$ 112,266	$ 87,991	$ 52,755	$ 253,012	$ 370,436,951	$ 370,689,963	$ 52,755

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Past Due and Non-Accrual Loans - Continued

2019	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 Days or More Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
Commercial	$ -	$ -	$ -	$ -	$ 70,400,325	$ 70,400,325	$ -
Small business	-	-	70,000	70,000	11,530,332	11,600,332	70,000
Real estate	-	-	-	-	42,504,570	42,504,570	-
Consumer credit cards	36,670	16,965	82,905	136,540	25,575,842	25,712,382	82,905
Consumer and other	85,216	139,299	114,475	338,990	172,470,202	172,809,192	114,475
Total loans	$ 121,886	$ 156,264	$ 267,380	$ 545,530	$ 322,481,271	$ 323,026,801	$ 267,380

Impaired Loans

Commercial and real estate loans are considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. If a loan is impaired, a specific valuation allowance is allocated, if necessary, using one of three methods: (I) the present value of expected future cash flows discounted at the loan's effective interest rate, (II) the fair value of the collateral less the estimated sales costs if the loan is a collateral dependent loan or (III) an observable market value of the loan. Impaired loans, or portions thereof, are charged off when deemed uncollectible. Interest income on impaired loans is recognized in the period collected unless the ultimate collection of principal is considered doubtful.

There were no impaired loans as of September 30, 2020. Impaired loans as of September 30, 2019 are set forth in the following table:

2019	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Commercial	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real estate	-	-	-	-	-	49,221	104,471
Total loans	$ -	$ -	$ -	$ -	$ -	$ 49,221	$ 104,471

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Troubled Debt Restructurings

The restructuring of a loan is considered a "troubled debt restructuring" if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses.

There were two loans, one commercial and industrial loan and one commercial real estate loan, identified as troubled debt restructurings as of September 30, 2020 and 2019, neither of which were reported as impaired and on nonaccrual as of that date. The modifications on all loans entailed reductions in the interest rate below the current market rate. As of September 30, 2020 and 2019, all loans defined as troubled debt restructurings were performing under their restructured terms.

The modifications during the reported periods for consumer loans related to extending the amortization periods. As of September 30, 2020, there were 25 restructured consumer loans totaling $191,853. As of September 30, 2019, there were 22 restructured consumer loans totaling $188,482. As of September 30, 2020 and 2019, all consumer loans defined as troubled debt restructuring were performing under their restructured terms.

Credit Quality Indicators

As part of the on-going monitoring of the credit quality of the Bank's loan portfolio, management tracks certain credit quality indicators including trends related to (I) the level of criticized commercial loans (Grades 6,7, 8) (II) net charge-offs and (III) non-performing loans. The Bank utilizes a risk grading matrix to assign a risk grade to each of its commercial and real estate loans as a result of the monitoring process employed by the Bank. Commercial and real estate loans are monitored on an individual basis to evaluate changes in risk rating, loan covenant compliance and payment history. An annual written review is performed for each loan, with the depth of the review varying based on the size, risk profile and complexity of the loan. Loans are graded on a scale of 4 to 9. A description of the general characteristics of the risk grades are as follows:

- Grade 4 - Pass
  Pass assets are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, any of the underlying collateral in a timely manner

- Grade 5 - Pass/Watch
  Pass/Watch is not a regulatory category. These are considered the weakest of the Pass rated credits with some apparent deterioration that does not yet meet OAEM (Other Assets Especially Mentioned). Some of the characteristics that might cause consideration for this classification would include: the borrower's financial condition may have shown some deterioration, financial projections are not being met, the guarantor's credit report or financial condition has deteriorated somewhat, chronic but somewhat immaterial past dues are occurring raising concerns.

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Credit Quality Indicators - Continued

- Grade 6 - Other Assets Especially Mentioned (OEAM)
  A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

- Grade 7 - Substandard
  A "substandard" asset is inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

- Grade 8 - Doubtful
  An asset classified as "doubtful" has all the weaknesses inherent in one classified substandard with the added characteristic that the weakness makes collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values.

- Grade 9 - Loss
  An asset or portion thereof, classified as "loss" is considered uncollectible and of such little value that its continuance on the institution's books as an asset, without establishment of a specific valuation or charge-off, is not warranted. This classification does not necessarily mean that an asset has no recovery or salvage value; but rather, there is much doubt about whether, how much, or when the recovery will occur. As such, it is not practical or desirable to defer the write-off.

In monitoring credit quality trends in the context of assessing the appropriate level of the allowance for loan losses, we monitor portfolio credit quality by the weighted average risk grade of each class of commercial loan. Individual relationship managers review updated financial information for all pass grade loans to recalculate the risk grade on at least an annual basis. When a loan has a calculated risk grade of 5, it is still considered a pass grade loan; however, it is considered to be on management's "watch list", where a significant risk modifying action is anticipated in the near term. When a loan has a calculated risk grade of 6 or higher, a special assets officer monitors the loan on an ongoing basis. The following table presents weighted average risk grades for all commercial loans by class, excluding small business loans, which are not individually graded.

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Credit Quality Indicators – Continued

	2020		2019	
	Weighted Average Risk Grade	Loans	Weighted Average Risk Grade	Loans
Commercial and Industrial				
Risk Grade 4	4.00	$108,954,052	4.00	$ 67,082,540
Risk Grade 5	5.00	1,545,234	5.00	2,244,238
Risk Grade 6	6.00	1,344,375	6.00	864,443
Risk Grade 7	7.00	117,078	7.00	209,104
Risk Grade 8	8.00	-	8.00	-
Total	4.04	$111,960,739	4.07	$ 70,400,325
Real Estate				
Risk Grade 4	4.00	$ 44,909,934	4.00	$ 41,196,602
Risk Grade 5	5.00	2,132,835	5.00	646,074
Risk Grade 6	6.00	648,395	6.00	661,894
Total	4.07	$ 47,691,164	4.05	$ 42,504,570

There are no classified loans (Grade 7 or 8) evaluated on an individual basis as of September 30, 2020 and 2019.

Loan loss reserves for consumer loans are determined through the use of a migration analysis which measures the level of past dues and previous charge-off history. The migration analysis monitors the history of past dues and charge-offs over a running period of 60 months in establishing a basis for the likelihood of future charge-off levels. Consumer and small business loan credit quality is monitored each month based on the payment status of the aggregate loans in the portfolio segment. Consumer loans are charged-off once they reach 120 days past due, with the exception of credit card loans which are charged-off once the loan reaches 180 days past due.

Net (charge-offs)/recoveries, segregated by class of loans, were as follows:

	2020	2019
Commercial	$ 36,113	$ 115,836
Consumer credit cards	(202,977)	(274,030)
Consumer and other	(704,689)	(759,715)
Net charge-offs	$ (871,553)	$ (917,909)

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risk inherent in the portfolio. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions.

The Bank's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for loan losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, the level of impaired loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. The provision for loan losses also reflects the totality of actions taken on all loans for a particular period. In other words, the amount of the provision reflects not only the necessary increases in the allowance for loan losses related to newly identified criticized loans, but it also reflects actions taken related to other loans including, among other things, necessary increases or decreases in the required allowance for specific loans or loan pools.

Commercial and Real Estate Loans —The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Bank's control, including, among other things, the performance of the Bank's loan portfolio, the economy and changes in interest rates.

The Bank's allowance for loan losses consists of three elements: (I) specific valuation allowances determined in accordance with ASC Topic 310 based on probable losses on specific loans; (II) historical valuation allowances determined in accordance with ASC Topic 450 based on historical loan loss experience for similar loans with similar characteristics and trends, adjusted, if necessary, to reflect the impact of current conditions; and (III) general valuation allowance determined in accordance with ASC Topic 450 based on general economic conditions and other qualitative risk factors both internal and external to the Bank.

The allowance established for probable losses on specific loans are based on a regular analysis and evaluation of problem loans. Loans are risk rated based on an internal credit risk grading process that evaluates, among other things: (I) the obligor's ability to repay; (II) the underlying collateral, if any; and (III) the economic environment and industry in which the borrower operates. This analysis is performed at the relationship manager level with management oversight for all commercial loans.

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Allowance for Loan Losses - Continued

The Bank computes the present value of future cash flows which takes into consideration the borrower's ability to repay amounts owed, the value of the collateral, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things.

General valuation allowances are based on general economic conditions and other qualitative risk factors both internal and external to the Bank. In general, such valuation allowances are determined by evaluating, among other things: (I) changes in lending policy and procedures, including underwriting standards and collection, charge-off and recovery practices; (II) changes in economic and business conditions; (III) changes in the nature and volume of the portfolio and in the terms of loans; (IV) changes in the experience, ability and depth of lending management; (V) changes in the volume of past due and nonaccrual loans; (VI) changes in loan review system; (VII) changes in the value of collateral for collateral dependent loans; (VIII) concentrations of credit; (IX) changes in external factors such as competition or regulatory requirements; and (X) weighted average historical loss factor. Management evaluates the degree of risk that comes with these components on a quarterly basis. Each component is determined to have either no risk, low risk, normal risk, high risk or extremely high risk. The results are then calculated to determine an appropriate general valuation allowance.

Consumer Loans **-** An allowance for loan loss for consumer loans is established for each pool of similar loans based on historical loss ratios and the total dollar amount of the loans in the pool. The allowance for advisor referred consumer loans is determined through the use of a migration analysis which measures the level of past dues and previous charge-off history. The migration analysis monitors the history of past dues and charge-offs over a running period of 60 months in establishing a basis for the likelihood of future charge-off levels.

The following details activity in the allowance for loan losses by portfolio segment for the years ended September 30, 2020 and 2019:

2020	Commercial and Real Estate	Consumer	Total
Beginning balance	$ 991,649	$ 1,432,442	$ 2,424,091
Provisions for loan losses	302,946	1,278,506	1,581,452
Charge-offs	-	(1,076,935)	(1,076,935)
Recoveries	36,114	169,269	205,383
Net charge-offs	36,114	(907,666)	(871,552)
Ending balance	$ 1,330,709	$ 1,803,282	$ 3,133,991
Period end amount allocated to			
Loans individually evaluated for impairment	$ 28,357	$ -	$ 28,357
Loans collectively evaluated for impairment	1,302,352	1,803,282	3,105,634
Ending balance	$ 1,330,709	$ 1,803,282	$ 3,133,991

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Allowance for Loan Losses - Continued

2019	Commercial and Real Estate	Consumer	Total
Beginning balance	$ 948,377	$ 1,142,086	$ 2,090,463
Provisions for loan losses	(72,564)	1,324,101	1,251,537
Charge-offs	-	(1,171,892)	(1,171,892)
Recoveries	115,836	138,147	253,983
Net charge-offs	115,836	(1,033,745)	(917,909)
Ending balance	$ 991,649	$ 1,432,442	$ 2,424,091
Period end amount allocated to			
Loans individually evaluated for impairment	$ 32,682	$ -	$ 32,682
Loans collectively evaluated for impairment	958,967	1,432,442	2,391,409
Ending balance	$ 991,649	$ 1,432,442	$ 2,424,091

The following details the recorded investment in loans related to the allowance for loan losses by portfolio segment, as well as disaggregated by the Bank's impairment methodology, for the years ended September 30, 2020 and 2019:

2020	Commercial and Real Estate	Consumer	Total
Loans individually evaluated for impairment	$ 2,109,849	$ -	$ 2,109,849
Loans collectively evaluated for impairment	169,052,497	199,527,617	368,580,114
Ending balance	$ 171,162,346	$ 199,527,617	$ 370,689,963

2019	Commercial and Real Estate	Consumer	Total
Loans individually evaluated for impairment	$ 1,735,441	$ -	$ 1,735,441
Loans collectively evaluated for impairment	122,769,786	198,521,574	321,291,360
Ending balance	$ 124,505,227	$ 198,521,574	$ 323,026,801

NOTE 4. BANK LOANS AND COMMITMENTS TO EXTEND CREDIT – CONTINUED

Commitments to Lend

In the normal course of business, the Bank has outstanding commitments and contingent liabilities, such as commitments to extend credit, which are not included in the accompanying consolidated financial statements. The Bank's potential exposure to credit loss in the event of non-performance by the other party to the financial instruments for commitments to extend credit is represented by the contractual notional amount of those commitments.

The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates of one year or less or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. As of September 30, 2020 and 2019, the Bank has committed credit lines, including credit cards, of $147,769,070 and $122,062,033 of which $ 47,443,330 and $43,077,833 respectively, had been advanced.

NOTE 5. FEDERAL HOME LOAN BANK STOCK AND ADVANCES

The Bank is a member of the Federal Home Loan Bank (FHLB) System. As a member of this system, it is required to maintain an investment in capital stock of the FHLB in an amount equal to the sum of 0.04% of total assets as of the most recent quarter end and 4.10% of outstanding advances. At September 30, 2020 and 2019, FHLB stock totaled $1,099,500 and $1,084,000, respectively. No ready market exists for such stock and it has no quoted market value. The carrying value of the stock is its cost and it is evaluated annually for impairment.

There were no FHLB overnight advances or term borrowings at September 30, 2020 and 2019. The Bank pledges eligible investment securities for its FHLB advances as defined in its blanket lien agreement with the FHLB demand deposit account and FHLB stock.

NOTE 6. PROPERTY, EQUIPMENT AND SOFTWARE

The Company's property, equipment, and software at September 30, 2020 and 2019, are as follows:

	2020	2019
Land	$ 2,525,626	$ 2,525,626
Office buildings and improvements	34,512,011	34,512,011
Office equipment, furniture, automobiles, and software	90,303,630	81,670,663
Work in progress	13,582,549	11,917,472
Total property, equipment, and software	140,923,816	130,625,772
Accumulated depreciation and amortization	(95,757,331)	(86,929,334)
Net property, equipment, and software	$ 45,166,485	$ 43,696,438

Depreciation and amortization expense was $9,170,516 and $8,628,664 for property, equipment, and software, in fiscal 2020 and 2019, respectively.

During fiscal 2020, disposals of $342,519 of property, equipment and software were made. Those assets were fully depreciated and no proceeds were received, and as a result, no gain or loss was recorded upon disposal. During fiscal 2019, disposals of $2,580,040 of property, equipment and software were made. Those assets were fully depreciated and no proceeds were received, and as a result, no gain or loss was recorded upon disposal.

The Bank's property, equipment, and software at September 30, 2020 and 2019, are as follows:

	2020	2019
Land	$ 980,706	$ 980,706
Leasehold improvements	2,251,118	2,251,118
Office buildings and improvements	13,556,039	13,547,317
Office equipment, furniture, automobiles, and software	5,862,000	5,850,749
Total Bank property, equipment, and software	22,649,863	22,629,890
Accumulated depreciation	(10,465,631)	(9,374,988)
Net Bank property, equipment, and software	$ 12,184,232	$ 13,254,902

The Bank's depreciation expense was $1,106,025 and $990,964 for the Bank's property, equipment, and software, in fiscal 2020 and 2019, respectively.

During fiscal 2020, disposals of $15,532 of property, equipment and software were made. Those assets were fully depreciated and no proceeds were received, and as a result, no gain or loss was recorded upon disposal. There were no disposals of Bank's property, equipment, and software in fiscal 2019.

NOTE 7. BANK DEPOSITS

Deposit account balances at September 30, 2020 and 2019, are as follows:

	2020	2019
Non-interest-bearing	$ 14,258,286	$ 10,229,778
Interest-bearing demand		
Money market checking	284,461,558	233,850,270
Money market savings	500,176,874	432,699,128
Certificates of deposit		
Less than $100,000	15,800,031	15,995,255
Greater than or equal to $100,000	13,794,789	10,843,824
Total certificates of deposit	29,594,820	26,839,079
Total deposits	$ 828,491,538	$ 703,618,255

A summary of certificates of deposit by maturity as of September 30, 2020 and 2019, is as follows:

	2020	2019
Maturing within		
One year	$ 20,372,989	$ 17,879,973
Two years	5,696,996	4,419,256
Three years	1,564,523	2,150,786
Four years	1,319,418	869,506
Five years	640,894	1,519,558
Total certificates of deposit	$ 29,594,820	$ 26,839,079

Related Party Deposits

FCFS and its subsidiaries' directors, officers and their affiliates, including corporations and firms of which they are officers or in which they and/or their families have an ownership interest, are customers of the Bank. These persons, corporations, and firms held deposits of $829,447 and $851,533 at September 30, 2020 and 2019, respectively.

NOTE 8. MISSION ACCOMPLISHMENT PLAN

The accrued Mission Accomplishment Plan (MAP) payable balance at September 30, 2020 and 2019, consists of the following:

	2020	2019
Current Award Pool (CAP)	$ 6,166,044	$ 9,831,522
Deferred Award Pool (DAP)	171,845,591	174,146,254
Note Award Plan (NAP)	42,094,274	33,489,274
Discount on NAP	(13,121,266)	(11,434,129)
Elective Deferral Account (EDA)	29,490,802	21,549,632
Accrued MAP payable	$ 236,475,445	$ 227,582,553

During fiscal 2020 and 2019, discretionary compensation awards were made for MAP of $37,417,700 and $40,640,513, respectively. The CAP portion of the award is based on available cash and projected cash requirements of the Company.

During fiscal 2020 and 2019, $8,605,000 and $9,162,256 of NAP was issued, respectively. Since the notes do not incur interest, each tranche must be discounted at issuance and the liability reported at the net amount. The discount rate used in 2020 was 4.01% compared to the 2019 rate of 4.27%. The rates were derived from data received from Bloomberg for firms similar to FCFS that had issued 10-year debt in the past year. The amount of the discount will be accreted as interest expense into earnings over the following 10-year period. Each issuance of NAP will be paid 10 years from award date.

EDA is a deferred compensation plan as described in Note 1. Of the amounts deferred under these plans, $29,490,802 and $21,549,632 have been invested in equity securities classified as trading at September 30, 2020 and 2019, respectively. The expense and activity in the related payable balances for the fiscal years 2020 and 2019, is as follows:

	2020	2019
Total EDA expense (credit) included in commissions and advisor expenses	$ 2,832,682	$ 534,003
Accrued EDA liability activity		
Investment income on designated investments	$ 1,101,123	$ 1,064,212
Net trading gains (losses) on designated investments	1,731,559	(530,209)
Net change due to market fluctuations	2,832,682	534,003
Deferrals from CAP and DAP	7,133,045	3,837,785
Payouts	(2,024,557)	(1,090,886)
Net change in accrued EDA	7,941,170	3,280,902
Accrued EDA - beginning of year	21,549,632	18,268,730
Accrued EDA - end of year	$ 29,490,802	$ 21,549,632

NOTE 8. MISSION ACCOMPLISHMENT PLAN - CONTINUED

During fiscal 2020, CAP and DAP payments of $13,383,035 and $21,242,577 were paid, respectively, to MAP participants. During fiscal 2019, CAP and DAP payments of $9,806,167 and $17,510,092 were paid, respectively, to MAP participants. Anticipated payments of $28,841,187 during the next fiscal year include CAP and the portion of the DAP payable to eligible terminated participants.

NOTE 9. DEFERRED CAREER COMMISSION PLAN

As of September 30, 2020 and 2019, the total DCCP liability balance was $13,576,463 and $13,870,345 respectively. These balances have been invested in money market, bonds, and mutual funds.

The DCCP expense and activity in the related payable balances for the fiscal years 2020 and 2019 is as follows:

	2020	2019
DCCP expense		
Commissions and advisor expenses (credit)	$ 1,198,977	$ 248,522
Net change in accrued DCCP liability		
Investment income on DCCP designated investments	$ 688,277	$ 848,077
Net trading (losses) gains on DCCP designated investments	510,700	(599,555)
Net change due to market fluctuations	1,198,977	248,522
Commissions paid to advisors	(1,492,859)	(1,343,850)
Net change in DCCP payable	(293,882)	(1,095,328)
Accrued DCCP liability - beginning of year	13,870,345	14,965,673
Accrued DCCP liability - end of year	$13,576,463	$13,870,345

The Company anticipates payments of $1,420,819 during the next fiscal year to eligible participants who terminated prior to fiscal year 2020.

NOTE 10. COMMON STOCK

The common stock of FCFS at September 30, 2020 and 2019, is as follows (see Note 11):

	2020	2019
Par value per share	$ 0.01	$ 0.01
Number of shares authorized	7,332,000	7,332,000
Number of shares issued	6,336,672	6,336,672
Number of shares repurchased and held as treasury stock	178,584	178,584
Number of shares outstanding	6,158,088	6,158,088

During the years ended September 30, 2020 and 2019, no treasury shares were issued.

NOTE 11. EMPLOYEE STOCK OWNERSHIP PLAN

On November 11, 2002, FCFS repurchased all of its outstanding stock (the Redemption Transaction), pursuant to the terms of the 1998 Shareholders' Agreement, to establish the First Command Financial Planning, Inc. Employee Stock Ownership Plan (ESOP). The price paid in the Redemption Transaction was $28.24 per share.

Immediately following the redemption, FCFS' voting common stock and nonvoting common stock was split 27.24 to 1 in the form of a dividend, and such nonvoting common stock was converted to voting common stock, resulting in a fair value of $1.00 per share. FCFS then sold 7,332,000 voting common shares to the ESOP Trust.

Participants in the FCFP Profit Sharing Plan and Trust (PSP) were given the right to transfer all or a portion of their respective PSP account balances (consisting solely of employer contributions) on a voluntary basis to the ESOP, after receiving certain information relating to the proposed transaction between FCFS and the ESOP.

At inception, FCFP designated an independent ESOP trustee to act exclusively in the interest of the ESOP participants under the terms of the ESOP, its related trust, and applicable regulatory requirements, in connection with any transactions involving the purchase of FCFS stock by the ESOP. A new independent ESOP trustee was named effective October 1, 2018.

FCFS entered into the FCFS Stock Purchase Agreement with the ESOP, containing the following provisions:

- The ESOP acquired 100% of the post-split voting common stock of FCFS for a price that did not exceed fair market value (as determined by an independent appraiser engaged by the Trustee of the ESOP) of such shares.
- The value of the FCFS common stock will be based on the fair market value as determined by an independent appraiser, taking into consideration all qualified and nonqualified deferred compensation plans and the FCFS Eligible Agents' Compensatory and Retention Program.

NOTE 11. EMPLOYEE STOCK OWNERSHIP PLAN - CONTINUED

The Board may declare an annual S Distribution in its complete and sole discretion.

The ESOP is a qualified non-contributory employee stock ownership plan and covers substantially all employees, as described in the ESOP Plan document. The number of shares available to be allocated to eligible employees will be determined by the number of shares repurchased each year from terminated participants. The ESOP Trust has the right and FCFS has the obligation to repurchase shares at the current market value at the discretion of the ESOP trustee. The ESOP contribution expense for the years ended September 30, 2020 and 2019, totaled $6,735,401 and $6,908,919, respectively, and is included on the accompanying consolidated statement of operations in general and administrative expenses.

NOTE 12. S DISTRIBUTIONS TO STOCKHOLDER

As a 100% owned ESOP, the S Distribution is paid to the Trust for liquidation of terminated participants. During the years ended September 30, 2020 and 2019, there were S Distributions paid to the ESOP of $10,614,848 and $8,758,169, respectively.

NOTE 13. PROFIT SHARING PLAN

FCFS has a qualified, non-contributory employee Profit Sharing Plan, which covers substantially all of the Company's employees. There was no contribution to the Profit Sharing Plan in 2020 and 2019.

NOTE 14. INCOME TAXES

For the years ended September 30, 2020 and 2019, the Company is a Subchapter S corporation, and its income is generally not subject to federal income taxes, with the exception of FCLIC, which is a C corporation subsidiary.

FCLIC's deferred tax balances as of September 30, 2020 and 2019, consist of the following:

	2020	2019
Deferred acquisition costs	$ 840,887	$ 870,221
Unrealized investment gains	1,674,066	1,181,379
Policy reserves and premium advances	2,003,210	1,882,161
Other	(1,462)	(2,932)
Deferred tax liability	$ 4,516,701	$ 3,930,829

FCLIC's deferred tax liability at September 30, 2020 and 2019, is included in accounts payable and other liabilities in the consolidated balance sheets.

NOTE 14. INCOME TAXES - CONTINUED

The components of the provision for income taxes as of September 30, 2020 and 2019, are as follows:

	2020	2019
Current tax (benefit) expense	$ 250,041	$ (77,436)
Deferred tax expense (benefit)	(8,458)	199,907
Provision for income taxes	$ 241,583	$ 122,471

NOTE 15. OTHER COMPREHENSIVE INCOME

The tax effects allocated to each component of other comprehensive income on available-for-sale marketable securities is shown in the table below. All taxes are related to gains on sale or change in market value on securities owned by FCLIC. The reclassification adjustment is included in gains on sale of marketable securities, net in the accompanying consolidated statements of operations.

2020	**Before Tax Amount**	**Tax (Expense) Benefit**	**Net of Tax Amount**
Net change in unrealized gains during the period	$ 3,509,537	$ (501,671)	$ 3,007,866
Reclassification adjustment for net (gains) included in net income	394,171	8,984	403,155
Cumulative effect adjustment for adoption of ASU 2016-01	(1,170,716)	-	(1,170,716)
Net change in other comprehensive income	$ 2,732,992	$ (492,687)	$ 2,240,305
2019			
Net change in unrealized gains during the period	$ 8,482,174	$ (1,035,305)	$ 7,446,869
Reclassification adjustment for net (gains) included in net income	(475,502)	(7,454)	(482,956)
Net change in other comprehensive income	$ 8,006,672	$ (1,042,759)	$ 6,963,913

NOTE 16. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair Value Measurements - The investments carried at fair value have been classified, for disclosure purposes, based on a hierarchy established by GAAP, which consists of three levels to indicate the quality of the fair value measurements as described below:

Level 1 - fair values are based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

NOTE 16. FAIR VALUES OF FINANCIAL INSTRUMENTS - CONTINUED

Level 2 - fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that can otherwise be corroborated by observable market data.

Level 3 - fair values are based on inputs that are considered unobservable where there is little, if any, market activity for the asset or liability as of the measurement date. In this circumstance, the Company has to rely on values derived by independent brokers or internally-developed assumptions. Unobservable inputs are developed based on the best information available to the Company which may include the Company's own data or bid and ask prices in the dealer market.

The Company's equity securities and some of the Company's mutual fund holdings within the EDA and DCCP portfolios are actively traded and fair values are based on quoted prices in active markets which the Company is able to access as of the measurement date, therefore the Company has classified these securities as Level 1. The remaining mutual fund holdings consist of accounts within the Company's discretionary managed mutual fund account program known as Asset Managed Solutions (AMS). The AMS accounts were created with different investment objectives and each portfolio is comprised of mutual fund and money market instruments that are priced daily and are classified as Level 1.

The Company's marketable debt securities and bank investments classified as available-for-sale are publicly traded debt instruments, but the majority were not traded with enough frequency for the market to be considered active and direct quotes are not generally available. Management therefore determines the fair values of these securities after consideration of data provided by third-party pricing services and an independent broker/dealer. Prices provided by the independent broker/dealer are not binding offers but are estimated exit values. They are based on observable market data inputs which can vary by security type. Such inputs include benchmark yields, available trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and other market data. Where possible, these prices were corroborated against other independent sources. The Company has classified these securities as Level 2.

The Company has also classified holdings in United States government sponsored debt securities held in the trading portfolio as Level 2 securities as they are priced using an OAS model whose pricing incorporates LIBOR/Swap forward curves and credit spreads. For any securities where an independent quote cannot be obtained and management judgment is required to assign fair value, such assets are considered to be Level 3.

NOTE 16. FAIR VALUES OF FINANCIAL INSTRUMENTS - CONTINUED

The following table summarizes the investments measured at fair value on a recurring basis as of September 30, 2020 and 2019:

	Fair Value Measurements at September 30, 2020, Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Marketable securities, trading				
Debt securities issued by the U.S. government or sponsored agencies	$ -	$ 2,022,661	$ -	$ 2,022,661
Mutual funds	100,284,894	-	-	100,284,894
Total marketable securities - trading	$ 100,284,894	$ 2,022,661	$ -	$ 102,307,555
Available-for-sale				
Collateralized mortgage obligations issued by the U.S. government or sponsored agencies	$ -	$ 8,053,623	$ -	$ 8,053,623
States, municipalities and political subdivisions	-	8,926,202	-	8,926,202
Trust Preferred	-	1,039,449	-	1,039,449
Corporate debt securities	-	109,542,032	-	109,542,032
Asset-backed securities	-	503,307	-	503,307
Total available-for-sale	$ -	$ 128,064,613	$ -	$ 128,064,613
Bank investments, trading				
Mutual funds	$ 6,066,914	$ -	$ -	$ 6,066,914
Total bank investments, trading	$ 6,066,914	$ -	$ -	$ 6,066,914
Bank investments, available-for-sale				
Corporate debt securities	$ -	$ 76,127,861	$ -	$ 76,127,861
Total bank investments, available-for-sale	$ -	$ 76,127,861	$ -	$ 76,127,861

NOTE 16. FAIR VALUES OF FINANCIAL INSTRUMENTS – CONTINUED

	Fair Value Measurements at September 30, 2019, Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Marketable securities, trading				
Debt securities issued by the U.S. government or sponsored agencies	$ -	$ 2,012,490	$ -	$ 2,012,490
Mutual funds	34,016,482	-	-	34,016,482
Total marketable securities - trading	$ 34,016,482	$ 2,012,490	$ -	$ 36,028,972
Available-for-sale				
Collateralized mortgage obligations issued by the U.S. government or sponsored agencies	$ -	$ 7,999,450	$ -	$ 7,999,450
States, municipalities and political subdivisions	-	8,972,760	-	8,972,760
Trust Preferred	-	1,026,077	-	1,026,077
Corporate debt securities	-	110,046,494	-	110,046,494
Asset-backed securities	-	184,575	-	184,575
Total bonds	$ -	$ 128,229,356	$ -	$ 128,229,356
Equities				
Mutual funds	$ 53,170,211	$ -	$ -	$ 53,170,211
Total equities	53,170,211	-	-	53,170,211
Total available-for-sale	$ 53,170,211	$ 128,229,356	$ -	$ 181,399,567
Bank investments, available-for-sale				
Corporate debt securities	$ -	$ 46,638,782	$ -	$ 46,638,782
Mutual funds	5,949,813	-	-	5,949,813
Total Bank available-for-sale	$ 5,949,813	$ 46,638,782	$ -	$ 52,588,595

*Money market funds are included in cash and cash equivalents.

NOTE 17. NET CAPITAL REQUIREMENTS OF SUBSIDIARIES

First Command Brokerage Services, Inc - FCBS is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At September 30, 2020, FCBS had net regulatory capital of $4,050,296 which was $3,811,652 in excess of its required net capital of $238,644. FCBS's aggregate indebtedness to net capital ratio was 0.88 to 1. At September 30, 2019, FCBS had net regulatory capital of $2,051,262 which was $1,788,314 in excess of its required net capital of $262,948. FCBS's aggregate indebtedness to net capital ratio was 1.92 to 1.

During the years ended September 30, 2020 and 2019, FCBS declared and paid dividends of $7,000,000 and $7,000,000, respectively, to its parent company, FCFS.

First Command Life Insurance Co. - FCLIC is subject to various statutory capital requirements administered by the Texas Department of Insurance. FCLIC's minimum capital and minimum surplus requirements are each $700,000 for a total $1,400,000. As of September 30, 2020, FCLIC's statutory capital was $11,244,783. FCLIC is also subject to risk-based capital requirements. Management believes FCLIC exceeded the risk-based capital levels as of September 30, 2020. At September 30, 2020, $42,611,276 of FCLIC assets were pledged to the ceding insurance company as a term of the reinsurance agreement.

FCLIC declared and paid dividends of $400,000 and $600,000, respectively, to its parent company, FCFS, during the years ended September 30, 2020 and 2019.

First Command Bank and First Command Financial Services, Inc. - The Bank and FCFS are subject to various regulatory capital requirements administered by its primary federal regulators, the OCC and the Federal Reserve Bank. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct effect on the Bank, FCFS, and the consolidated financial statements. Under the regulatory capital adequacy guidelines, the Bank and FCFS must meet specific capital guidelines involving quantitative measures of the entities' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices.

As of September 30, 2020 and 2019, the most recent notification from the OCC categorized the Bank as well-capitalized. To be categorized as well-capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

NOTE 17. NET CAPITAL REQUIREMENTS OF SUBSIDIARIES – CONTINUED

	Actual		Minimum plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2020						
Total Capital (to risk weighted assets)						
FCFS	$ 119,237,000	12.09%	$ 103,517,820	10.50%	$ 98,588,400	10.00%
FCB	71,184,000	14.03%	53,282,460	10.50%	50,745,200	10.00%
Tier I Capital (to risk weighted assets)						
FCFS	87,130,000	8.84%	83,800,140	8.50%	78,870,720	8.00%
FCB	68,050,000	13.41%	43,133,420	8.50%	40,596,160	8.00%
Common Equity Tier I (to risk weighted assets)						
FCFS	87,130,000	8.84%	69,011,880	7.00%	64,082,460	6.50%
FCB	68,050,000	13.41%	35,521,640	7.00%	32,984,380	6.50%
Leverage Ratio (to quarterly average assets)						
FCFS	87,130,000	6.97%	49,998,800	4.00%	62,498,500	5.00%
FCB	68,050,000	7.85%	34,666,280	4.00%	43,332,850	5.00%

	Actual		Minimum plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2019						
Total Capital (to risk weighted assets)						
FCFS	$ 102,130,814	11.63%	$ 92,202,527	10.50%	$ 87,811,930	10.00%
FCB	72,028,000	16.08%	47,041,848	10.50%	44,801,760	10.00%
Tier I Capital (to risk weighted assets)						
FCFS	77,651,814	8.84%	74,640,141	8.50%	70,249,544	8.00%
FCB	69,604,000	15.54%	38,081,496	8.50%	35,841,408	8.00%
Common Equity Tier I (to risk weighted assets)						
FCFS	77,651,814	8.84%	61,468,351	7.00%	57,077,755	6.50%
FCB	69,604,000	15.54%	31,361,232	7.00%	29,121,144	6.50%
Leverage Ratio (to quarterly average assets)						
FCFS	77,651,814	6.98%	44,784,059	4.00%	55,980,074	5.00%
FCB	69,604,000	9.12%	30,542,400	4.00%	38,178,000	5.00%

NOTE 17. NET CAPITAL REQUIREMENTS OF SUBSIDIARIES – CONTINUED

The Bank and the Company must maintain certain minimum capital ratios as set forth in the table above for capital adequacy purposes. Effective January 1, 2016, the Company and Bank were required to maintain a capital conservation buffer above certain minimum capital ratios for capital adequacy purposes in order to avoid certain restrictions on capital distributions and other payments including dividends, share repurchases, and certain compensation. The conservation buffer was 2.5% at September 30, 2019 and 2.5% at September 30, 2020. At September 30, 2020 and 2019, the Bank and the Company exceeded the capital conservation buffer requirement. As of January 1, 2019, the Company and Bank must maintain a balance of capital that exceeds minimum capital ratios by more than 2.5% each of the minimum risk-based capital ratios in order to satisfy the requirement. Management believes, as of September 30, 2020, that the Bank and Company meet all capital adequacy requirements to which they are subject and there were no conditions or events subsequent to September 30, 2020 that would change the Bank's or Company's category.

The Company's total risk based capital includes $28,973,008 and $22,055,145 of subordinated debt at September 30, 2020 and 2019, respectively. As previously discussed in Note 1, the net amount of the NAP qualifies as part of regulatory total capital.

The payment of dividends from the Bank to FCFS may be subject to certain capital or regulatory restrictions. During the years ended September 30, 2020 and 2019, the Bank paid dividends of $18,000,000 and $13,500,000, respectively, to its parent company, FCFS.

The Company maintains deposits with the Federal Reserve Bank in accordance with the reserve requirements of Regulation D, issued by the Federal Reserve Board. At September 30, 2020 and 2019, the Company's required balance was approximately $0 and $13,712,000, respectively.

NOTE 18. COMMITMENTS AND CONTINGENCIES

In September 2018, a group of plaintiffs and FCFS signed a settlement agreement to settle a threatened lawsuit. The matter involved alleged violations of the Fair Labor Standards Act and the regulations promulgated thereunder in connection with FCFS' dealings with former advisor trainees over a three year period. Pursuant to the settlement agreement, First Command paid the total gross settlement amount of $1,500,000 in November 2018 which represented the maximum amount of exposure to FCFS related to this matter. At September 30, 2019, FCFS had a receivable amount on the consolidated balance sheet of $614,720 relating to forfeited funds from this settlement. These forfeited funds were collected in October 2019.

The Company is not currently involved in or aware of any litigation that it believes could have a material adverse effect on its financial condition or results of operations.

SUPPLEMENTAL SCHEDULES

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2020

	Total First Command Companies	Intercompany Eliminations	First Command Financial Services	First Command Bank	First Command Insurance Services	First Command Brokerage Services	First Command Advisory Services	First Command Europe, Ltd.	First Command Life Insurance	Bldg Sale Elim Company
ASSETS										
Cash and cash equivalents	$ 14,776,173	$ (7,331,627)	$ 14,895,696	$ -	$ 549,356	$ 3,809,751	$ 1,533,791	$ 165,870	$ 1,153,336	$ -
Marketable securities										
Trading, at fair value	102,307,555	-	100,284,894	-	-	2,022,661	-	-	-	-
Available-for-sale, at fair value	128,064,613	-	76,543,520	-	-	-	-	-	51,521,093	-
Commissions and fees receivable	46,839,631	-	-	-	1,119,536	5,555,132	39,727,260	437,703	-	-
Accounts receivable	4,126,968	(21,782)	1,704,323	-	16,892	1,900,072	2,216	13,015	512,232	-
Property, equipment, and software - net of accumulated depreciation	45,166,485	-	43,632,614	-	-	-	-	-	-	1,533,871
Deferred acquisition costs	4,093,563	-	-	-	-	-	-	-	4,093,563	-
Prepaid expenses	6,839,306	-	5,637,514	-	373,434	581,658	214,307	32,393	-	-
Advisor advanced commissions	5,518,858	-	-	-	5,230,588	139,851	-	148,419	-	-
Intercompany receivables	-	(21,854,306)	8,218,040	517,494	12,636,709	284,895	15	197,153	-	-
Investment in subsidiaries	-	(135,639,088)	135,639,088	-	-	-	-	-	-	-
First Command Bank Assets										
Cash and due from banks	80,113,676	-	-	80,113,676	-	-	-	-	-	-
Investments:										
Trading, at fair value	6,066,914	-	-	6,066,914	-	-	-	-	-	-
Available-for-sale, at fair value	76,127,861	-	-	76,127,861	-	-	-	-	-	-
Held-to-maturity, at cost	360,557,054	-	-	360,557,054	-	-	-	-	-	-
Federal Home Loan Bank stock, at cost	1,099,500	-	-	1,099,500	-	-	-	-	-	-
Loans - net of allowance for loan losses	367,555,972	-	-	367,555,972	-	-	-	-	-	-
Property, equipment, and software - net of accumulated depreciation	12,184,232	-	-	12,184,232	-	-	-	-	-	-
Accrued interest receivable and other assets	7,423,990	-	-	7,423,990	-	-	-	-	-	-
TOTAL ASSETS	$ 1,268,862,351	$ (164,846,803)	$ 386,555,689	$ 911,646,693	$ 19,926,515	$ 14,294,020	$ 41,477,589	$ 994,553	$ 57,280,224	$ 1,533,871

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2020

	Total First Command Companies	Intercompany Eliminations	First Command Financial Services	First Command Bank	First Command Insurance Services	First Command Brokerage Services	First Command Advisory Services	First Command Europe, Ltd.	First Command Life Insurance	Bldg Sale Elim Company
LIABILITIES AND STOCKHOLDER'S EQUITY										
Accrued bonuses payable	$ 12,494,607	$ -	$ 12,494,607	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accrued commissions payable	20,420,641	-	-	-	728,643	2,005,997	17,476,931	209,070	-	-
Accounts payable and other liabilities	14,479,777	-	8,868,009	-	27,330	1,087,746	2,000	66,217	4,428,475	-
Advance commissions payable	12,574,424	(21,782)	-	-	12,305,610	-	-	290,596	-	-
Accrued Mission Accomplishment Plan payable	236,475,445	-	236,475,445	-	-	-	-	-	-	-
Deferred Career Commission Plan payable	13,576,463	-	13,576,463	-	-	-	-	-	-	-
Accrued employee retirement contributions	6,735,401	-	6,735,401	-	-	-	-	-	-	-
Future policy benefits	21,418,574	-	-	-	-	-	-	-	21,418,574	-
Intercompany Payables	-	(21,854,306)	12,634,973	281,695	272,204	485,910	8,044,127	128,437	6,960	-
First Command Bank Liabilities										
Deposits	828,491,538	(7,331,629)	-	835,823,167	-	-	-	-	-	-
Accrued interest payable and other liabilities	6,424,690	-	-	6,424,690	-	-	-	-	-	-
Total liabilities	1,173,091,560	(29,207,717)	290,784,898	842,529,552	13,333,787	3,579,653	25,523,058	694,320	25,854,009	-
STOCKHOLDER'S EQUITY										
Capital stock	63,366	(2,761,535)	63,366	100,000	10	2,973	10	158,542	2,500,000	-
Additional paid-in capital	6,487,946	(18,082,744)	6,487,946	9,900,000	990	116,805	990	251,459	7,812,500	-
Retained earnings	81,684,040	(107,430,552)	81,684,040	58,050,443	6,591,728	10,594,708	15,953,531	(109,768)	14,816,039	1,533,871
Accumulated other comprehensive income	8,640,840	(7,364,374)	8,640,840	1,066,698	-	-	-	-	6,297,676	-
Treasury stock	(1,105,401)	119	(1,105,401)	-	-	(119)	-	-	-	-
Total stockholder's equity	95,770,791	(135,639,086)	95,770,791	69,117,141	6,592,728	10,714,367	15,954,531	300,233	31,426,215	1,533,871
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,268,862,351	$ (164,846,803)	$ 386,555,689	$ 911,646,693	$ 19,926,515	$ 14,294,020	$ 41,477,589	$ 994,553	$ 57,280,224	$ 1,533,871

FIRST COMMAND FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2020

	Total First Command Companies	Intercompany Eliminations	First Command Financial Services	First Command Bank	First Command Insurance Services	First Command Brokerage Services	First Command Advisory Services	First Command Europe, Ltd.	First Command Life Insurance	Bldg Sale Elim Company
REVENUE FROM CONTRACTS WITH CUSTOMERS										
Asset management fees	$ 138,172,421	$ -	$ -	$ -	$ -	$ -	$ 136,796,707	$ 1,375,714	$ -	$ -
Insurance commissions	82,052,205	(220,059)	-	-	81,013,481	-	-	1,258,783	-	-
Investment commissions	13,226,234	-	-	-	-	13,043,741	-	182,493	-	-
Asset based fees	30,263,070	-	-	-	-	29,942,243	-	320,827	-	-
Service fee income	23,441,633	(17,700,753)	101,281	-	774,816	21,545,742	16,323,433	189,728	2,207,386	-
Financial planning fees	1,377,900	-	-	-	-	-	1,377,900	-	-	-
Total revenue from contracts with customers	288,533,463	(17,920,812)	101,281	-	81,788,297	64,531,726	154,498,040	3,327,545	2,207,386	-
Investment income	6,898,643	(223)	4,723,983	-	-	68,312	138,815	525	1,967,231	-
Trading gains, net	6,236,429	-	6,224,065	-	-	12,364	-	-	-	-
Losses on sale of marketable securities, net	997,210	-	954,426	-	-	-	-	-	42,784	-
Other income, net	12,059	-	7,586	-	409	271	449	3,344	-	-
Equity income in subsidiaries	-	(51,139,951)	51,139,951	-	-	-	-	-	-	-
Total revenue	302,677,804	(69,060,986)	63,151,292	-	81,788,706	64,612,673	154,637,304	3,331,414	4,217,401	-
OPERATING EXPENSES										
Commissions and advisor expenses	(153,335,130)	-	(4,434,503)	-	(40,340,604)	(25,990,751)	(80,643,690)	(1,925,582)	-	-
Mission Accomplishment Plan	(35,574,830)	-	(35,574,830)	-	-	-	-	-	-	-
General and administrative expenses	(111,736,890)	17,285,524	(4,270,310)	-	(34,859,900)	(29,558,292)	(55,531,332)	(1,708,567)	(3,003,713)	(90,300)
Interest expense	(71)	-	(5)	-	-	(66)	-	-	-	-
Total operating expenses	(300,646,921)	17,285,524	(44,279,648)	-	(75,200,504)	(55,549,109)	(136,175,022)	(3,634,149)	(3,003,713)	(90,300)
FIRST COMMAND BANK OPERATIONS										
Interest income on loans	17,757,380	-	-	17,757,380	-	-	-	-	-	-
Interest income on investments	8,537,840	-	-	8,537,840	-	-	-	-	-	-
Trading gains, net	117,100	-	-	117,100	-	-	-	-	-	-
Interest expense on deposits	(1,018,342)	222	-	(1,018,564)	-	-	-	-	-	-
Provision for loan losses	(1,581,452)	-	-	(1,581,452)	-	-	-	-	-	-
Service fee and other income	19,969,509	(915,122)	-	20,884,631	-	-	-	-	-	-
General and administrative expenses	(26,699,691)	1,550,410	-	(28,250,101)	-	-	-	-	-	-
Total First Command Bank operations	17,082,344	635,510	-	16,446,834	-	-	-	-	-	-
INCOME BEFORE INCOME TAXES	19,113,227	(51,139,952)	18,871,644	16,446,834	6,588,202	9,063,564	18,462,282	(302,735)	1,213,688	(90,300)
PROVISION FOR INCOME TAXES	(241,583)	-	-	-	-	-	-	13,015	(254,598)	-
NET INCOME	$ 18,871,644	$ (51,139,952)	$ 18,871,644	$ 16,446,834	$ 6,588,202	$ 9,063,564	$ 18,462,282	$ (289,720)	$ 959,090	$ (90,300)