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DELTA REPORT

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SNFCA - SECURITY NATIONAL FINANCI

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1545

█ CHANGES 403

█ DELETIONS 578

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, March 31, 2023 2024**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: **000-09341**

SECURITY NATIONAL FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

UTAH

(State or other jurisdiction of incorporation or organization)

87-0345941

(I.R.S. Employer Identification No.)

433 Ascension Way, 6th 6th Floor, Salt Lake City, Utah
(Address of principal executive offices)

84123

(Zip Code)

(801) 264-1060
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Class A Common Stock

Trading symbol

SNFCA

Name of each exchange on which registered

The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of **November 3, 2023** **May 3, 2024**, the registrant had **20,008,016** **20,057,835** shares of Class A Common Stock, \$2.00 par value, outstanding and **2,971,854** **2,971,588** shares of Class C Common Stock, \$2.00 par value, outstanding.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q

QUARTER ENDED **SEPTEMBER 30, 2023** **MARCH 31, 2024**

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Part I - Financial Information

Item 1. Financial Statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2024 (Unaudited)	December 31, 2023
Assets		
Investments:		
Fixed maturity securities, available for sale, at estimated fair value (amortized cost of \$386,405,977 and \$390,884,441 for 2024 and 2023, respectively; net of allowance for credit losses of \$410,549 and \$314,549 for 2024 and 2023, respectively)	\$ 375,833,407	\$ 381,535,986
Equity securities at estimated fair value (cost of \$11,160,744 and \$10,571,505 for 2024 and 2023, respectively)	15,161,999	13,636,071
Mortgage loans held for investment (net of allowance for credit losses of \$2,921,614 and \$3,818,653 for 2024 and 2023, respectively)	268,636,784	275,616,837
Real estate held for investment (net of accumulated depreciation of \$27,161,160 and \$29,307,791 for 2024 and 2023, respectively)	183,562,322	183,419,292
Real estate held for sale	13,122,924	3,028,973
Other investments and policy loans (net of allowance for credit losses of \$1,587,525 and \$1,553,836 for 2024 and 2023, respectively)	70,510,984	69,404,617
Accrued investment income	8,961,065	10,170,790
Total investments	935,789,485	936,812,566
Cash and cash equivalents	150,930,786	126,941,658
Loans held for sale at estimated fair value	112,678,958	126,549,190
Receivables (net of allowance for credit losses of \$1,755,553 and \$1,897,887 for 2024 and 2023, respectively)	16,875,546	15,335,315
Restricted assets (including \$10,083,226 and \$9,239,063 for 2024 and 2023 respectively, at estimated fair value)	20,878,561	20,028,976
Cemetery perpetual care trust investments (including \$5,217,068 and \$4,969,005 for 2024 and 2023, respectively, at estimated fair value)	8,368,975	8,082,917
Receivable from reinsurers	14,726,731	14,857,059
Cemetery land and improvements	9,557,577	9,163,691
Deferred policy and pre-need contract acquisition costs	118,117,308	116,351,067
Mortgage servicing rights, net	3,318,155	3,461,146
Property and equipment, net	18,806,536	19,175,099
Value of business acquired	8,457,054	8,467,613
Goodwill	5,253,783	5,253,783
Other	22,742,841	20,072,195
Total Assets	\$ 1,446,502,296	\$ 1,430,552,275

Part I - Financial Information

Item 1. Financial Statements.

	September 30, 2023 (Unaudited)	December 31, 2022
Assets		
Investments:		
Fixed maturity securities, available for sale, at estimated fair value (amortized cost of \$380,283,562 and \$362,750,511 for 2023 and 2022, respectively; net of allowance for credit losses of \$211,500 and nil for 2023 and 2022, respectively)	\$ 356,448,259	\$ 345,858,492
Equity securities at estimated fair value (cost of \$10,470,974 and \$9,942,265 for 2023 and 2022, respectively)	12,309,544	11,682,526
Mortgage loans held for investment (net of allowance for credit losses of \$2,612,944 and \$1,970,311 for 2023 and 2022, respectively)	249,307,098	308,123,927
Real estate held for investment (net of accumulated depreciation of \$28,516,470 and \$23,793,204 for 2023 and 2022, respectively)	184,691,463	191,328,616
Real estate held for sale	4,764,367	11,161,582
Other investments and policy loans (net of allowance for credit losses of \$1,555,261 and \$1,609,951 for 2023 and 2022, respectively)	66,253,417	70,508,156
Accrued investment income	12,266,695	10,299,826
Total investments	886,040,843	948,963,125
Cash and cash equivalents	134,751,854	120,919,805
Loans held for sale at estimated fair value	152,546,566	141,179,620
Receivables (net of allowance for credit losses of \$1,520,801 and \$2,229,791 for 2023 and 2022, respectively)	15,498,951	28,573,092
Restricted assets (including \$7,847,136 and \$6,565,552 for 2023 and 2022 respectively, at estimated fair value; net of allowance for credit losses of \$2,232 and nil for 2023 and 2022, respectively)	19,907,485	18,935,055
Cemetery perpetual care trust investments (including \$4,223,197 and \$3,859,893 for 2023 and 2022, respectively, at estimated fair value; net of allowance for credit losses of \$3,933 and nil for 2023 and 2022, respectively)	7,640,990	7,276,210
Receivable from reinsurers	14,764,228	15,033,938
Cemetery land and improvements	9,068,760	9,101,474
Deferred policy and pre-need contract acquisition costs	114,422,565	108,655,128
Mortgage servicing rights, net	3,494,723	3,039,765
Property and equipment, net	19,580,298	20,579,649

Value of business acquired	8,922,400	9,803,736
Goodwill	5,253,783	5,253,783
Other	21,878,789	23,798,512
Total Assets	\$ 1,413,772,235	\$ 1,461,112,892

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
Liabilities and Stockholders' Equity				
Liabilities				
Future policy benefits and unpaid claims	\$ 908,917,966	\$ 889,327,303	\$ 923,292,031	\$ 916,038,616
Unearned premium reserve	2,611,873	2,773,616	2,491,281	2,543,822
Bank and other loans payable	108,431,028	161,712,804	104,335,116	105,555,137
Deferred pre-need cemetery and mortuary contract revenues	17,573,212	16,226,836	18,501,474	18,237,246
Cemetery perpetual care obligation	5,265,166	5,099,542	5,384,115	5,326,196
Accounts payable	2,977,402	5,361,449	3,560,096	2,936,968
Other liabilities and accrued expenses	56,431,051	57,113,888	53,175,654	53,266,090
Income taxes	13,670,993	30,710,527	15,658,555	13,752,981
Total liabilities	1,115,878,691	1,168,325,965	1,126,398,322	1,117,657,056
Stockholders' Equity				
Preferred Stock - non-voting - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-	-	-
Class A: common stock - \$2.00 par value; 40,000,000 shares authorized; 20,007,611 shares issued and outstanding as of September 30, 2023 and 18,758,031 shares issued and outstanding as of December 31, 2022	40,015,222	37,516,062	-	-
Class A: common stock - \$2.00 par value; 40,000,000 shares authorized; 20,048,581 shares issued and outstanding as of March 31, 2024 and 20,048,002 shares issued and outstanding as of December 31, 2023	-	-	40,097,162	40,096,004
Class B: non-voting common stock - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-	-	-
Class C: convertible common stock - \$2.00 par value; 6,000,000 shares authorized; 2,971,854 shares issued and outstanding as of September 30, 2023 and 2,889,859 shares issued and outstanding as of December 31, 2022	5,943,708	5,779,718	-	-
Common Stock, Value	5,943,708	5,779,718	-	-
Class C: convertible common stock - \$2.00 par value; 6,000,000 shares authorized; 2,971,680 shares issued and outstanding as of March 31, 2024 and 2,971,854 shares issued and outstanding as of December 31, 2023	-	-	5,943,360	5,943,708
Common stock value	-	-	5,943,360	5,943,708
Additional paid-in capital	72,190,361	64,767,769	72,727,294	72,424,429
Accumulated other comprehensive loss, net of taxes	(18,282,298)	(13,070,277)	(7,780,656)	(6,885,558)
Retained earnings	204,117,486	202,160,306	214,452,895	206,978,373
Treasury stock at cost - 870,523 Class A shares and 35,717 Class C shares as of September 30, 2023; and 525,870 Class A shares and 34,016 Class C shares as of December 31, 2022	(6,090,935)	(4,366,651)	-	-
Treasury stock at cost - 756,386 Class A shares and 35,717 Class C shares as of March 31, 2024; and 806,311 Class A shares and 35,717 Class C shares as of December 31, 2023	-	-	(5,336,081)	(5,661,737)
Total stockholders' equity	297,893,544	292,786,927	320,103,974	312,895,219
Total Liabilities and Stockholders' Equity	\$ 1,413,772,235	\$ 1,461,112,892	\$ 1,446,502,296	\$ 1,430,552,275

See accompanying notes to condensed consolidated financial statements (unaudited).

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	2023		2022		2023		2022		2024		2023	
	Three Months Ended September 30,				Nine Months Ended September 30,				Three Months Ended March 31,			
	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Revenues:												
Mortgage fee income	\$ 24,936,019	\$ 28,607,888	\$ 77,003,778	\$ 118,983,231	\$ 21,831,670	\$ 25,989,006						
Insurance premiums and other considerations	28,906,803	26,237,417	85,687,394	78,491,364	29,852,093	27,967,292						
Net investment income	19,248,463	18,603,070	57,195,320	49,768,664	19,946,568	17,774,883						
Net mortuary and cemetery sales	7,234,031	6,470,363	20,874,174	20,926,587	6,948,491	6,471,429						
Losses on investments and other assets	(932,414)	(2,178,952)	(4,676)	(2,921,372)								
Gains on investments and other assets							1,669,426	111,154				
Other	848,825	5,737,434	2,832,630	16,221,307	939,950	1,186,970						
Total revenues	80,241,727	83,477,220	243,588,620	281,469,781	81,188,198	79,500,734						
Benefits and expenses:												
Death benefits	14,678,251	13,996,753	46,811,922	45,720,503	15,713,753	16,678,366						
Surrenders and other policy benefits	1,467,066	1,337,507	3,550,416	3,814,442	1,215,793	1,132,693						
Increase in future policy benefits	9,476,678	7,389,732	26,031,421	20,761,276	9,345,887	8,054,939						
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	4,480,457	5,061,713	13,615,359	13,511,235	4,743,913	4,883,581						
Selling, general and administrative expenses:												
Commissions	10,467,796	15,004,275	30,877,232	53,303,814	7,981,217	9,673,310						
Personnel	20,234,106	24,392,703	62,705,033	76,772,417	19,855,135	21,962,512						
Advertising	994,433	1,372,636	2,863,597	4,680,169	687,655	903,411						
Rent and rent related	1,677,701	1,701,164	5,285,492	5,062,696	1,401,477	1,776,780						
Depreciation on property and equipment	590,168	636,246	1,765,797	1,880,095	587,449	588,416						
Costs related to funding mortgage loans	1,563,172	1,371,315	5,246,881	6,255,415	1,449,095	1,842,342						
Other	7,124,347	11,178,276	22,308,291	34,444,040	6,285,910	7,780,535						
Interest expense	1,151,534	2,136,763	4,019,669	5,764,327	1,027,474	1,453,333						
Cost of goods and services sold—mortuaries and cemeteries	1,177,328	1,200,481	3,614,599	3,628,334	1,274,129	1,185,628						
Total benefits and expenses	75,083,037	86,779,564	228,695,709	275,598,763	71,568,887	77,915,846						
Earnings (loss) before income taxes	5,158,690	(3,302,344)	14,892,911	5,871,018								
Income tax benefit (expense)	(1,117,397)	949,159	(3,258,740)	(1,421,036)								
Earnings before income taxes					9,619,311	1,584,888						
Income tax expense					(2,144,789)	(344,716)						
Net earnings (loss)	\$ 4,041,293	\$ (2,353,185)	\$ 11,634,171	\$ 4,449,982								
Net earnings					\$ 7,474,522	\$ 1,240,172						
Net earnings (loss) per Class A Equivalent common share (1)	\$ 0.18	\$ (0.11)	\$ 0.53	\$ 0.20								
Net earnings per Class A Equivalent common share (1)					\$ 0.34	\$ 0.06						

Net earnings (loss) per Class A Equivalent common share-assuming dilution (1)	\$ 0.18	\$ (0.10)	\$ 0.51	\$ 0.19		
Net earnings per Class A Equivalent common share-assuming dilution (1)					\$ 0.33	\$ 0.05
Weighted-average Class A equivalent common shares outstanding (1)	22,063,495	21,976,292	22,066,243	22,213,846	22,219,490	22,129,713
Weighted-average Class A equivalent common shares outstanding-assuming dilution (1)	22,831,726	22,695,996	22,700,342	23,036,213	22,945,842	22,687,773

(1) Net earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends. The weighted-average shares outstanding includes the weighted-average Class A common shares and the weighted-average Class C common shares determined on an equivalent Class A common stock basis. Net earnings per common share represent net earnings per equivalent Class A common share.

See accompanying notes to condensed consolidated financial statements (unaudited).

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net earnings (loss)	\$ 4,041,293	\$ (2,353,185)	\$ 11,634,171	\$ 4,449,982
Other comprehensive income:				
Unrealized losses on fixed maturity securities available for sale	\$ (6,805,602)	\$ (13,523,240)	\$ (6,580,750)	\$ (41,845,274)
Unrealized gains (losses) on restricted assets (1)	\$ (12,284)	\$ 27,060	\$ (14,340)	\$ (88,058)
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	\$ (2,487)	\$ 28,931	\$ (3,299)	\$ (24,294)
Other comprehensive loss, before income tax	\$ (6,820,373)	\$ (13,467,249)	\$ (6,598,389)	\$ (41,957,626)
Income tax benefit	\$ 1,432,846	\$ 2,825,936	\$ 1,386,368	\$ 8,815,498
Other comprehensive loss, net of income tax	\$ (5,387,527)	\$ (10,641,313)	\$ (5,212,021)	\$ (33,142,128)
Comprehensive income (loss)	\$ (1,346,234)	\$ (12,994,498)	\$ 6,422,150	\$ (28,692,146)

	Three Months Ended March 31,	
	2024	2023
Net earnings	\$ 7,474,522	\$ 1,240,172
Other comprehensive income:		
Unrealized gains (losses) on fixed maturity securities available for sale	\$ (1,131,650)	\$ 5,218,029
Unrealized gains (losses) on restricted assets (1)	\$ (1,890)	\$ 4,133
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	\$ (774)	\$ 2,926
Other comprehensive income (loss), before income tax	\$ (1,134,314)	\$ 5,225,088
Income tax (expense) benefit	\$ 239,216	\$ (1,097,530)
Other comprehensive income (loss), net of income tax	\$ (895,098)	\$ 4,127,558
Comprehensive income	\$ 6,579,424	\$ 5,367,730

(1) Fixed maturity securities available for sale

See accompanying notes to condensed consolidated financial statements (unaudited).

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Nine Months Ended September 30, 2023							Class A Common Stock	Class C Common Stock	A
	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total	Class A Common Stock	Class C Common Stock	A
January 1, 2023	\$ 37,516,062	\$ 5,779,718	\$ 64,767,769	\$ (13,070,277)	\$ 202,160,306	\$ (4,366,651)	\$ 292,786,927			
Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-13)	-	-	-	-	(671,506)	-	(671,506)			
Net earnings	-	-	-	-	1,240,172	-	1,240,172			
Other comprehensive income	-	-	-	4,127,558	-	-	4,127,558			
Stock-based compensation expense	-	-	143,671	-	-	-	143,671			
Exercise of stock options	96,092	-	(62,073)	-	-	-	34,019			
Sale of treasury stock	-	-	(43,493)	-	-	620,651	577,158			
Purchase of treasury stock	-	-	-	-	-	(1,204,357)	(1,204,357)			
Conversion Class C to Class A	1,872	(1,872)	-	-	-	-	-			
March 31, 2023	\$ 37,614,026	\$ 5,777,846	\$ 64,805,874	\$ (8,942,719)	\$ 202,728,972	\$ (4,950,357)	\$ 297,033,642			
January 1, 2024								\$ 40,096,004	\$ 5,943,708	\$ 7
Net earnings	-	-	-	-	6,352,706	-	6,352,706	-	-	
Other comprehensive loss	-	-	-	(3,952,052)	-	-	(3,952,052)	-	-	
Stock-based compensation expense	-	-	141,954	-	-	-	141,954	-	-	
Exercise of stock options	159,284	-	(154,424)	-	-	-	4,860			
Vesting of restricted stock units	810	-	(810)	-	-	-	-	810	-	

Sale of treasury stock	-	-	(54,350)	-	-	623,056	568,706	-	-					
Purchase of treasury stock	-	-	126,990	-	-	(1,514,049)	(1,387,059)	-	-					
Conversion Class C to Class A	113,930	(113,930)	-	-	-	-	-	348	(348)					
Stock dividends	1,899,350	283,188	6,820,431	-	(9,002,969)	-	-	-	-					
June 30, 2023	\$ 39,787,400	\$ 5,947,104	\$ 71,685,665	\$ (12,894,771)	\$ 200,078,709	\$ (5,841,350)	\$ 298,762,757							
Net earnings	-	-	-	-	4,041,293	-	4,041,293							
Other comprehensive loss	-	-	-	(5,387,527)	-	-	(5,387,527)							
Stock-based compensation expense	-	-	145,973	-	-	-	145,973							
Exercise of stock options	223,006	-	(196,926)	-	-	-	26,080							
Vesting of restricted stock units	810	-	(810)	-	-	-	-							
Sale of treasury stock	-	-	98,387	-	-	458,530	556,917							
Purchase of treasury stock	-	-	456,166	-	-	(708,115)	(251,949)							
Conversion Class C to Class A	3,396	(3,396)	-	-	-	-	-							
Stock dividends	610	-	1,906	-	(2,516)	-	-							
September 30, 2023	\$ 40,015,222	\$ 5,943,708	\$ 72,190,361	\$ (18,282,298)	\$ 204,117,486	\$ (6,090,935)	\$ 297,893,544							
March 31, 2024								\$ 40,097,162	\$ 5,943,360	\$ 7				
								Three Months Ended March 31, 2023						
								Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
January 1, 2023			\$ 37,516,062	\$ 5,779,718	\$ 64,767,769	\$ (13,070,277)	\$ 202,160,306	\$ (4,366,651)	\$ 292,786,927					
Adoption of ASU 2016-13	-	-	-	-	-	-	(671,506)	-	(671,506)					
Net earnings	-	-	-	-	-	-	1,240,172	-	1,240,172					
Other comprehensive income	-	-	-	-	-	4,127,558	-	-	4,127,558					
Stock-based compensation expense	-	-	143,671	-	-	-	-	-	143,671					
Exercise of stock options	96,092	-	(62,073)	-	-	-	-	-	34,019					
Sale of treasury stock	-	-	(43,493)	-	-	-	-	620,651	577,158					
Purchase of treasury stock	-	-	-	-	-	-	-	(1,204,357)	(1,204,357)					
Conversion Class C to Class A	1,872	(1,872)	-	-	-	-	-	-	-					
March 31, 2023	\$ 37,614,026	\$ 5,777,846	\$ 64,805,874	\$ (8,942,719)	\$ 202,728,972	\$ (4,950,357)	\$ 297,033,642							

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(Unaudited)

	Nine Months Ended September 30, 2022						
	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
January 1, 2022	\$ 35,285,444	\$ 5,733,130	\$ 57,985,947	\$ 18,070,448	\$ 184,537,489	\$ (1,845,624)	\$ 299,766,834
Net earnings	-	-	-	-	3,228,718	-	3,228,718
Other comprehensive loss	-	-	-	(12,190,330)	-	-	(12,190,330)
Stock-based compensation expense	-	-	271,747	-	-	-	271,747
Exercise of stock options	100,446	-	(8,487)	-	-	-	91,959
Sale of treasury stock	-	-	24,055	-	-	1,880,125	1,904,180
Purchase of treasury stock	-	-	106,176	-	-	(878,417)	(772,241)
Conversion Class C to Class A	414	(414)	-	-	-	-	-
March 31, 2022	\$ 35,386,304	\$ 5,732,716	\$ 58,379,438	\$ 5,880,118	\$ 187,766,207	\$ (843,916)	\$ 292,300,867
Net earnings	-	-	-	-	3,574,449	-	3,574,449
Other comprehensive loss	-	-	-	(10,310,485)	-	-	(10,310,485)
Stock-based compensation expense	-	-	220,175	-	-	-	220,175
Exercise of stock options	37,746	-	(2,440)	-	-	-	35,306
Sale of treasury stock	-	-	50,401	-	-	1,119,392	1,169,793
Purchase of treasury stock	-	-	-	-	-	(6,505,050)	(6,505,050)
Conversion Class C to Class A	154,218	(154,218)	-	-	-	-	-
Stock dividends	1,779,108	278,924	6,009,453	-	(8,067,485)	-	-
June 30, 2022	\$ 37,357,376	\$ 5,857,422	\$ 64,657,027	\$ (4,430,367)	\$ 183,273,171	\$ (6,229,574)	\$ 280,485,055
Net loss	-	-	-	-	(2,353,185)	-	(2,353,185)
Other comprehensive loss	-	-	-	(10,641,313)	-	-	(10,641,313)
Stock-based compensation expense	-	-	230,853	-	-	-	230,853
Sale of treasury stock	-	-	(47,285)	-	-	1,187,752	1,140,467
Conversion Class C to Class A	77,704	(77,704)	-	-	-	-	-
September 30, 2022	\$ 37,435,080	\$ 5,779,718	\$ 64,840,595	\$ (15,071,680)	\$ 180,919,986	\$ (5,041,822)	\$ 268,861,877

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	2023		2022		2024		2023	
	Nine Months Ended September 30,				Three Months Ended March 31,			
	2023	2022	2024	2023	2024	2023	2024	2023
Cash flows from operating activities:								
Net cash provided by operating activities	\$ 18,383,768	\$ 109,318,230			\$ 25,077,244	\$ (16,073,799)		
Net cash provided by (used in) operating activities								
Cash flows from investing activities:								
Purchases of fixed maturity securities	(50,158,586)	(115,680,915)	(6,670,277)	(11,911,847)				
Sales, calls and maturities of fixed maturity securities	33,160,924	11,695,675	11,440,209	5,375,819				
Purchases of equity securities	(6,464,200)	(3,591,283)	(2,038,459)	(4,596,981)				
Sales of equity securities	5,891,964	2,295,931	1,412,118	4,150,683				
Purchases of restricted assets	(1,836,290)	(1,157,021)	(643,531)	(311,776)				
Sales, calls and maturities of restricted assets	387,049	-	178,350	24,746				
Purchases of cemetery perpetual care trust investments	(493,833)	-	(46,725)	(113,238)				
Sales, calls and maturities of perpetual care trust investments	177,932	325,908	54,601	27,199				
Mortgage loans held for investment, other investments and policy loans made	(467,172,350)	(569,434,389)	(166,160,908)	(165,651,041)				
Payments received for mortgage loans held for investment, other investments and policy loans	532,511,486	577,997,140	175,017,132	184,156,157				
Purchases of property and equipment	(791,569)	(966,375)	(256,155)	(250,642)				
Sales of property and equipment	-	62,561	71,469	10,974				
Purchases of real estate	(17,219,245)	(20,892,501)	(17,740,755)	(2,705,716)				
Sales of real estate	25,727,541	22,941,365	7,082,265	9,160,065				
Net cash provided by (used in) investing activities	53,720,823	(96,403,904)						
Net cash provided by investing activities			1,699,334	17,364,402				
Cash flows from financing activities:								
Investment contract receipts	9,323,700	8,853,710	3,237,207	3,100,207				
Investment contract withdrawals	(11,657,189)	(11,964,046)	(4,105,463)	(3,831,218)				
Proceeds from stock options exercised	64,959	127,265	-	34,019				
Purchases of treasury stock	(2,843,365)	(7,277,291)	(41,077)	(1,204,357)				
Repayment of bank loans	(69,133,305)	(48,383,522)	(470,652)	(15,684,446)				
Proceeds from bank loans	68,500,000	59,618,050	-	46,000,000				
Net change in warehouse line borrowings for loans held for sale	(52,720,401)	(61,081,557)	(769,236)	(53,656,378)				
Net cash used in financing activities	(58,465,601)	(60,107,391)	(2,149,221)	(25,242,173)				
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	13,638,990	(47,193,065)	24,627,357	(23,951,570)				
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	133,483,817	141,414,282	139,923,399	133,483,817				
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 147,122,807	\$ 94,221,217	\$ 164,550,756	\$ 109,532,247				
Supplemental Disclosure of Cash Flow Information:								
Cash paid during the year for:								
Interest	\$ 4,182,368	\$ 5,646,811	\$ 1,022,460	\$ 1,635,867				
Income taxes (net of refunds)	18,911,907	468,578	-	(6,878)				

Non Cash Operating, Investing and Financing Activities:				
Transfer of loans held for sale to mortgage loans held for investment		\$ 1,867,552	\$ -	-
Loans held for sale foreclosed into real estate held for sale		858,977	-	-
Right-of-use assets obtained in exchange for operating lease liabilities		479,462	139,095	
Benefit plans funded with treasury stock		470,521	577,158	
Transfer from mortgage loans held for investment to restricted assets	\$ 1,625,961	\$ -	-	1,625,961
Transfer from mortgage loans held for investment to cemetery perpetual care trust investments	6,111,550	-	-	1,611,550
Transfer from loans held for sale to mortgage loans held for investment	3,017,626	49,428,757		
Benefit plans funded with treasury stock	1,702,781	4,214,440		
Right-of-use assets obtained in exchange for operating lease liabilities	139,095	1,164,287		
Right-of-use assets obtained in exchange for finance lease liabilities	12,332	-		
Accrued real estate construction costs and retainage	-	1,401,437		

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

Reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents as shown in the condensed consolidated statements of cash flows is presented in the table below:

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
	\$	\$	\$	\$
Cash and cash equivalents	\$ 134,751,854	\$ 84,947,720	\$ 150,930,786	\$ 99,554,776
Restricted assets	10,946,379	8,276,613	10,598,384	9,228,113
Cemetery perpetual care trust investments	1,424,574	996,884	3,021,586	749,358
 Total cash, cash equivalents, restricted cash and restricted cash equivalents	 \$ 147,122,807	 \$ 94,221,217	 \$ 164,550,756	 \$ 109,532,247
 Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	 \$ 147,122,807	 \$ 94,221,217	 \$ 164,550,756	 \$ 109,532,247

See accompanying notes to condensed consolidated financial statements (unaudited).

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Articles 8 and 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto for the year ended December 31, 2022 December 31, 2023, included in the Company's Annual Report on Form 10-K (File Number 000-09341). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to adopt policies and make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In applying these policies and estimates, the Company makes judgments that frequently require assumptions about matters that are inherently uncertain. Accordingly, significant estimates used in the preparation of the Company's financial statements may be subject to significant adjustments in future periods. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant changes in the near term are those used in determining the value of derivative assets and liabilities; those used in determining deferred acquisition costs and the value of business acquired; those used in determining the value of mortgage loans foreclosed to real estate held for investment or sale; those used in determining the liability for future policy benefits and unearned revenue; those used in determining the estimated future costs for pre-need sales; those used in determining the value of mortgage servicing rights; those used in determining the value of loans held for sale; those used in determining allowances for credit losses; those used in determining loan loss reserve; and those used in determining deferred tax assets and liabilities. Although some variability is inherent in these estimates, management believes the amounts provided are fairly stated in all material respects.

Banking Environment

On March 10, 2023 and March 12, 2023, Silicon Valley Bank and Signature Bank were placed in receivership with the Federal Deposit Insurance Corporation (FDIC). Normal banking activities resumed shortly thereafter. On May 1, 2023, First Republic Bank was placed in receivership with the FDIC and was immediately purchased by a national bank. The Company does not maintain any deposit or other accounts or credit facilities with Silicon Valley Bank, Signature Bank or First Republic Bank. The Company may periodically transfer funds to these banks to pay for services rendered by third party vendors that continue to maintain banking relationships with these banks. The Company continues to monitor the banking industry and its relationships with regional and community banks.

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
 Notes to Condensed Consolidated Financial Statements
 September 30, 2023 March 31, 2024 (Unaudited)

2)Recent Accounting Pronouncements

Accounting Standards Adopted in 2023

ASU No. 2016-13: “Financial Instruments – Credit Losses (Topic 326)” — Issued in September 2016, ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis (such as mortgage loans held for investment and held to maturity debt securities) and available for sale debt securities. For assets held at an amortized cost basis, Topic 326 eliminates the probable initial recognition threshold and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities Topic 326 requires that credit losses be presented as an allowance rather than as a write-down. The Company adopted this standard on January 1, 2023, and after a review of the affected assets, decreased the opening balance of retained earnings in stockholders' equity by \$671,506 on January 1, 2023. The allowances for credit losses increased (decreased) by the following amounts.

	Amount
Mortgage loans held for investment:	
Residential	\$ (192,607)
Residential construction	301,830
Commercial	555,807
Total	665,030
 Restricted assets - mortgage loans held for investment:	
Residential construction	3,463
 Cemetery perpetual care trust investments - mortgage loans held for investment:	
Residential construction	3,013
 Grand Total	671,506

Accounting Standards Issued But Not Yet Adopted

ASU No. 2018-12: “Financial Services – Insurance (Topic 944); Targeted Improvements to the Accounting for Long-Duration Contracts” — Issued in August 2018, ASU 2018-12 is intended to improve the timeliness of recognizing changes in the liability for future policy benefits on traditional long-duration contracts by requiring that assumptions be updated after contract inception and by modifying the rate used to discount future cash flows. The standard is aimed at improving the accounting for certain market-based options or guarantees associated with deposit or account balance contracts, simplifying amortization of deferred acquisition costs while improving and expanding required disclosures. In November 2020, the FASB issued an update to ASU No. 2018-12 that requires the standard to be adopted by the Company commencing on January 1, 2025. The Company is nearing completion of its analysis and implementation of the new standard, including the identification of cohorts, system updates, **design and a preliminary analysis of the Company's “Cold Start.” design**. The Company has engaged its team of actuaries, accountants, and systems specialists and consulted external system providers as part of the implementation. **The Company is in the process of estimating the impact of the new guidance on the consolidated financial statements.**

ASU No. 2023-09: “Income Taxes (Topic 740); Improvements to Income Tax Disclosures” — Issued in December 2023, ASU 2023-09 requires that public business entities, on an annual basis: (i) disclose specific categories in the rate reconciliation and (ii) provide additional information for reconciling items that meet a quantitative threshold. In addition, the amendments in this update require that all entities disclose on an annual basis the following information about income taxes paid: (i) the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and (ii) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). ASU 2023-09 is effective for the Company beginning on January 1, 2025. The Company is in the process of estimating the impact of the new guidance on the consolidated financial statements.

ASU No. 2023-07: “Segment Reporting (Topic 280); Improvements to Reportable Segment Disclosures” — Issued in November 2023, ASU 2023-07 requires enhanced disclosures about significant segment expenses. The key amendments include: (i) disclosures on significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss on an annual and interim basis; (ii) disclosures on an amount for other segment items by reportable segment and a description of its composition on an annual and interim basis. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss; (iii) providing all annual disclosures on a reportable segment's profit or loss and assets currently required by FASB ASC Topic 280, Segment Reporting in interim periods; and (iv) specifying the title and position of the CODM. ASU 2023-07 is effective for the Company for annual periods beginning January 1, 2024 and interim periods beginning January 1, 2025. The Company is in the process of estimating the impact of the new guidance on the consolidated financial statements.

The Company has reviewed other recent accounting pronouncements and has determined that they will not significantly impact the Company's results of operations or financial position.

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

3) Investments

The Company's investments as of September 30, 2023 March 31, 2024 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Allowance for Credit Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Allowance for Credit Losses	Estimated Fair
<u>September 30, 2023:</u>										
<u>March 31, 2024:</u>										
Fixed maturity securities, available for sale, at estimated fair value:										
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 108,680,913	\$ 5,981	\$ (2,498,554)	\$ -	\$ 106,188,340	\$ 108,273,666	\$ 21,718	\$ (1,168,930)	\$ -	\$ 107,
Obligations of states and political subdivisions	6,649,289	218	(586,789)	-	6,062,718	6,314,947	327	(312,669)	-	6,
Corporate securities including public utilities	231,814,067	600,075	(15,412,932)	(211,500)	216,789,710	231,778,966	2,770,637	(7,446,098)	(398,500)	226,
Mortgage-backed securities	32,889,293	13,422	(5,755,224)	-	27,147,491	39,788,398	342,124	(4,379,130)	(12,049)	35,
Redeemable preferred stock	250,000	10,000	-	-	260,000	250,000	10,000	-	-	-
Total fixed maturity securities available for sale	\$ 380,283,562	\$ 629,696	\$ (24,253,499)	\$ (211,500)	\$ 356,448,259	\$ 386,405,977	\$ 3,144,806	\$ (13,306,827)	\$ (410,549)	\$ 375,
Equity securities at estimated fair value:										
Common stock:										
Industrial, miscellaneous and all other	\$ 10,470,974	\$ 2,684,920	\$ (846,350)	\$ 12,309,544	\$ 11,160,744	\$ 4,284,537	\$ (283,282)	\$ 15,		

Total equity securities at estimated fair value	\$ 10,470,974	\$ 2,684,920	\$ (846,350)	\$ 12,309,544	\$ 11,160,744	\$ 4,284,537	\$ (283,282)	\$ 15,
Mortgage loans held for investment at amortized cost:								
Residential	\$ 96,591,643				\$ 106,764,632			
Residential construction	101,295,751				99,748,408			
Commercial	55,991,027				67,076,085			
Less:								
Unamortized deferred loan fees, net	(1,629,546)				(1,711,491)			
Less:								
Allowance for credit losses	(2,612,944)				(2,921,614)			
Less: Net discounts	(328,833)				(319,236)			
Total mortgage loans held for investment	\$ 249,307,098				\$ 268,636,784			
Real estate held for investment - net of accumulated depreciation:								
Residential	\$ 38,034,997				\$ 54,638,976			
Commercial	146,656,466				128,923,346			
Total real estate held for investment	\$ 184,691,463				\$ 183,562,322			
Real estate held for sale:								
Residential	\$ 2,285,707				\$ 859,599			
Commercial	2,478,660				12,263,325			
Total real estate held for sale	\$ 4,764,367				\$ 13,122,924			
Other investments and policy loans at amortized cost:								
Policy loans	\$ 13,154,845				\$ 13,248,999			
Insurance assignments	42,624,001				46,710,578			

Federal		
Home Loan	2,699,300	2,325,900
Bank stock		
(2)		
Other		
investments	9,330,532	9,813,032
Less:		
Allowance		
for credit		
losses for		
insurance		
assignments	(1,555,261)	(1,587,525)
	_____	_____
Total other		
investments and	\$ 66,253,417	\$ 70,510,984
policy loans	_____	_____
Accrued		
investment		
income	\$ 12,266,695	\$ 8,961,065
	_____	_____
Total		
investments	\$ 886,040,843	\$ 935,789,485
	_____	_____

(1) Gross unrealized losses are net of allowance for credit losses

(2) Includes \$978,600 552,600 of Membership stock and \$1,720,700 1,773,300 of Activity stock attributable to short-term borrowings and letters of credit.

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)

3) Investments (Continued)

The Company's investments as of December 31, 2022 December 31, 2023 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Allowance for Credit Losses	Estimated Fair Value
<u>December 31, 2022:</u>									
<u>December 31, 2023:</u>									
Fixed maturity securities, available for sale, at estimated fair value:									
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 93,182,210	\$ 180,643	\$ (2,685,277)	\$ 90,677,576	\$ 111,450,753	\$ 344,425	\$ (1,416,448)	\$ -	\$ 110,378,730
Obligations of states and political subdivisions	6,675,071	13,869	(458,137)	6,230,803	6,524,083	500	(319,260)	-	6,205,323
Corporate securities including public utilities	229,141,544	1,909,630	(11,930,773)	219,120,401	232,299,727	3,688,642	(7,145,507)	(308,500)	228,534,362
Mortgage-backed securities	33,501,686	168,700	(4,100,674)	29,569,712	40,359,878	506,647	(4,702,905)	(6,049)	36,157,571
Redeemable preferred stock	250,000	10,000	-	260,000	250,000	10,000	-	-	260,000
Total fixed maturity securities available for sale	\$ 362,750,511	\$ 2,282,842	\$ (19,174,861)	\$ 345,858,492	\$ 390,884,441	\$ 4,550,214	\$ (13,584,120)	\$ (314,549)	\$ 381,535,986
Equity securities at estimated fair value:									
Common stock:									

Industrial, miscellaneous and all other	\$ 9,942,265	\$ 2,688,375	\$ (948,114)	\$ 11,682,526	\$ 10,571,505	\$ 3,504,141	\$ (439,575)	\$ 13,636,071
Total equity securities at estimated fair value	\$ 9,942,265	\$ 2,688,375	\$ (948,114)	\$ 11,682,526	\$ 10,571,505	\$ 3,504,141	\$ (439,575)	\$ 13,636,071
Mortgage loans held for investment at amortized cost:								
Residential	\$ 93,355,623				\$ 103,153,587			
Residential construction	172,516,125				104,052,748			
Commercial	46,311,955				74,176,538			
Less: Unamortized deferred loan fees, net	(1,746,605)				(1,623,226)			
Less: Allowance for credit losses	(1,970,311)				(3,818,653)			
Less: Net discounts	(342,860)				(324,157)			
Total mortgage loans held for investment	\$ 308,123,927				\$ 275,616,837			
Real estate held for investment - net of accumulated depreciation:								
Residential	\$ 38,437,960				\$ 40,924,865			
Commercial	152,890,656				142,494,427			
Total real estate held for investment	\$ 191,328,616				\$ 183,419,292			
Real estate held for sale:								
Residential	\$ 11,010,029				\$ -			
Commercial	151,553				3,028,973			
Total real estate held for sale	\$ 11,161,582				\$ 3,028,973			
Other investments and policy loans at amortized cost:								
Policy loans	\$ 13,095,473				\$ 13,264,183			

Insurance assignments	46,942,536	45,605,322
Federal Home Loan Bank stock	2,600,300	2,279,800
(1)(2)		
Other investments	9,479,798	9,809,148
Less:		
Allowance for credit losses for insurance assignments	(1,609,951)	(1,553,836)
	_____	_____
Total other investments and policy loans	\$ 70,508,156	

Total policy loans and other investments		\$ 69,404,617
	_____	_____
Accrued investment income	\$ 10,299,826	\$ 10,170,790
	_____	_____
Total investments	\$ 948,963,125	\$ 936,812,566
	_____	_____

(1) Gross unrealized losses are net of allowance for credit losses

(2) Includes \$938,500 530,900 of Membership stock and \$1,661,800 1,748,900 of Activity stock attributable due to short-term borrowings advances and letters of credit.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)

3) Investments (Continued)

There were no investments, aggregated by issuer, of more than 10% of shareholders' equity (before net unrealized gains and losses on equity securities and fixed maturity securities) as of March 31, 2024, other than investments issued or guaranteed by the United States Government.

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of **September 30, 2023, March 31, 2024 and December 31, 2022**. The unrealized losses were primarily related to interest rate fluctuations. The fair values of fixed maturity securities are based on quoted market prices, when available. For fixed maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting expected future cash flows using a current market value applicable to the coupon rate, credit and maturity of the investments. The table below sets forth unrealized losses by duration with the fair value of the related fixed maturity securities.

	Unrealized Losses for Less than Twelve Months	Unrealized Losses for More than Twelve Months	Fair Value	Fair Value	Total Unrealized Loss	Combined Fair Value
	Fair Value	Fair Value				
September 30, 2023						
U.S. Treasury Securities And Obligations of U.S. Government Agencies	\$ 331,740	\$ 36,115,986	\$ 2,166,815	\$ 69,967,155	\$ 2,498,555	\$ 106,083,141
Obligations of States and Political Subdivisions	155,458	1,469,753	431,331	4,142,748	586,789	5,612,501
Corporate Securities	4,092,910	86,409,480	11,320,021	106,047,158	15,412,931	192,456,638
Mortgage and other asset-backed securities	123,790	4,627,445	5,631,434	22,003,452	5,755,224	26,630,897
Totals	\$ 4,703,898	\$ 128,622,664	\$ 19,549,601	\$ 202,160,513	\$ 24,253,499	\$ 330,783,177
December 31, 2022						
U.S. Treasury Securities And Obligations of U.S. Government Agencies	\$ 2,685,277	\$ 79,400,753	\$ -	\$ -	\$ 2,685,277	\$ 79,400,753
Obligations of States and Political Subdivisions	378,067	5,467,910	80,070	429,020	458,137	5,896,930
Corporate Securities	10,935,114	162,995,969	995,659	5,781,822	11,930,773	168,777,791
Mortgage and other asset-backed securities	2,884,731	19,909,907	1,215,943	6,978,745	4,100,674	26,888,652
Totals	\$ 16,883,189	\$ 267,774,539	\$ 2,291,672	\$ 13,189,587	\$ 19,174,861	\$ 280,964,126

	Unrealized Losses for Less than Twelve Months	Unrealized Losses for More than Twelve Months	Fair Value	Fair Value	Total Unrealized Loss	Combined Fair Value
	Fair Value	Fair Value				
March 31, 2024						
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 167,532	\$ 53,312,759	\$ 1,001,398	\$ 29,735,785	\$ 1,168,930	\$ 83,048,544
Obligations of states and political subdivisions	12,735	469,060	299,934	5,083,218	312,669	5,552,278
Corporate securities	613,453	35,567,960	6,832,645	110,572,963	7,446,098	146,140,923
Mortgage-backed securities	18,656	4,044,375	4,360,474	23,420,838	4,379,130	27,465,213
Totals	\$ 812,376	\$ 93,394,154	\$ 12,494,451	\$ 168,812,804	\$ 13,306,827	\$ 262,206,958
December 31, 2023						
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 29,394	\$ 9,436,090	\$ 1,387,054	\$ 70,885,403	\$ 1,416,448	\$ 80,321,493
Obligations of states and political subdivisions	11,105	470,325	308,155	5,284,498	319,260	5,754,823
Corporate securities	529,660	32,507,773	6,615,847	107,556,216	7,145,507	140,063,989
Mortgage-backed securities	29,799	2,260,445	4,673,106	22,184,174	4,702,905	24,444,619
Totals	\$ 599,958	\$ 44,674,633	\$ 12,984,162	\$ 205,910,291	\$ 13,584,120	\$ 250,584,924

Relevant holdings were comprised of **816,634** securities with fair values aggregating **93.2%** **95.2%** of the aggregate amortized cost as of **September 30, 2023** **March 31, 2024**. Relevant holdings were comprised of **703,606** securities with fair values aggregating **93.1%** **94.9%** of the aggregate amortized cost as of **December 31, 2022** **December 31, 2023**. Credit loss provision (release) of **\$1,741,96,000** and **\$nil179,500** have been recognized for the three month periods ended **September 30, 2023** **March 31, 2024** and **2022**, respectively. Credit loss provision (release) of **\$222,264** and **nil** have been recognized for the nine month periods ended **September 30, 2023** and **2022, 2023**, respectively. Credit losses are included in gains (losses) on investments and other assets on the condensed consolidated statements of earnings. Other unrealized losses for which no credit loss was recognized are primarily the result of the recent increases in interest rates.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)
3) Investments (Continued)

Evaluation of Allowance for Credit Losses

See Note 2 regarding the adoption of ASU 2016-13.

On a quarterly basis, the Company evaluates its fixed maturity securities classified as available for sale to identify any potential credit losses. This evaluation includes a review of current ratings by the National Association of Insurance Commissioners ("NAIC") and other industry rating agencies. Securities with a rating of 1 or 2 are considered investment grade and are not reviewed for credit loss unless current market data or recent company news could lead to a credit downgrade. Securities with ratings of 3 to 5 are evaluated for credit loss. The evaluation involves assessing all facts and circumstances surrounding each security including, but not limited to, historical values, interest payment history, projected earnings, and revenue growth rates as well as a review of the reason for a downgrade in the NAIC rating. Based on the analysis of a security that is rated 3 to 5, a determination is made whether the security will likely make interest and principal payments in accordance with the terms of the financial instrument. Securities with a rating of 6 are automatically determined to be impaired and a credit loss is recognized in earnings.

Where the decline in fair value of fixed maturity securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and the Company anticipates recovery of all contractual or expected cash flows, the Company does not consider these securities to have credit loss because the Company does not intend to sell these securities and it is not more likely than not the Company will be required to sell these securities before a recovery of amortized cost, which may be at maturity.

If the Company intends to sell a fixed maturity security or if it is more likely than not that the Company will be required to sell a security before recovery of its amortized cost basis, a credit loss has occurred and the difference between the amortized cost and the fair value that relates to the expected credit loss is recognized as a loss in earnings, included in gains (losses) on investments and other assets on the condensed consolidated statements of earnings.

If the Company does not intend to sell a debt security and it is less likely than not that the Company will be required to sell the debt security but the Company also does not expect to recover the entire amortized cost basis of the security, a credit loss is recognized in earnings for the amount of the expected credit loss with a corresponding allowance for credit losses as a contra-asset account. The credit loss is included in gains (losses) on investments and other assets on the condensed consolidated statements of earnings. The recognized credit loss is limited to the total unrealized loss on the security due to a change in credit.

Amounts on available for sale fixed maturities that are deemed to be uncollectible are written off and removed from the allowance for credit loss. A write-off may also occur if the Company intends to sell a security or when it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost.

The Company does not measure a credit loss allowance on accrued interest receivable, included in accrued investment income on the condensed consolidated balance sheets, as the Company writes off any accrued interest receivable balance to net investment income in a timely manner (after 90 days) when the Company has concerns regarding collectability.

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)
3) Investments (Continued)

Credit Quality Indicators

The NAIC assigns designations to fixed maturity securities. These designations range from Class 1 (highest quality) to Class 6 (lowest quality). The NAIC designations are utilized by insurers in preparing their annual statutory statements. NAIC Class 1 and 2 are considered investment grade while the NAIC Class 3 through 6 designations are considered non-investment grade. Based on the NAIC designations, the Company had 98.2% 98.1% and 97.7% 98.2% of its fixed maturity securities rated investment grade as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following table summarizes the credit quality, by NAIC designation, of the Company's fixed maturity securities available for sale, excluding redeemable preferred stock.

NAIC Designation	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
1	\$ 210,224,246	\$ 198,601,878	\$ 197,753,818	\$ 189,691,540	\$ 216,075,719	\$ 210,349,942	\$ 221,933,425	\$ 216,975,288
2	162,752,957	151,279,566	156,261,804	148,073,873	162,441,509	158,181,139	161,062,016	157,346,803
3	5,329,117	4,890,504	7,080,305	6,635,786	6,318,939	5,939,193	6,418,829	5,953,542
4	1,462,481	1,325,409	1,377,541	1,157,454	1,078,897	1,053,757	982,290	948,478
5	263,504	90,901	25,736	39,155	239,704	49,375	236,648	51,875
6	1,257	1	1,307	684	1,209	1	1,233	-
Total	\$ 380,033,562	\$ 356,188,259	\$ 362,500,511	\$ 345,598,492	\$ 386,155,977	\$ 375,573,407	\$ 390,634,441	\$ 381,275,986

The following table presents a roll forward of the Company's allowance for credit losses on fixed maturity securities available for sale:

	Nine Months Ended September 30, 2023				Three Months Ended March 31, 2024					
	U.S. Treasury Securities And Obligations of U.S. Government Agencies	Obligations of states and political subdivisions	Corporate securities	Mortgage-backed securities	Total	U.S. Treasury securities and obligations of U.S. Government agencies	Obligations of states and political subdivisions	Corporate securities including public utilities	Mortgage-backed securities	Total
Beginning balance - December 31, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning balance - January 1, 2024						\$ -	\$ -	\$ 308,500	\$ 6,049	\$ 314,549
Additions for credit losses not previously recorded	-	-	179,500	-	179,500	-	-	30,000	-	30,000
Change in allowance on securities with previous allowance	-	-	42,764	-	42,764	-	-	60,000	6,000	66,000
Reductions for securities sold during the period	-	-	(10,764)	-	(10,764)	-	-	-	-	-

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)

3) Investments (Continued)

	Three Months Ended September 30, 2023				
	U.S. Treasury Securities And Obligations of U.S. Government Agencies	Obligations of states and political subdivisions	Corporate securities	Mortgage-backed securities	Total
Beginning balance - June 30, 2023	\$ -	\$ -	\$ 224,005	\$ -	\$ 224,005
Additions for credit losses not previously recorded	-	-	-	-	-
Change in allowance on securities with previous allowance	-	-	(1,741)	-	(1,741)
Reductions for securities sold during the period	-	-	(10,764)	-	(10,764)
Reductions for securities with credit losses due to intent to sell	-	-	-	-	-
Write-offs charged against the allowance	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Ending Balance - September 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,500</u>	<u>\$ -</u>	<u>\$ 211,500</u>

The following table presents a roll forward of the Company's cumulative other than temporary credit impairments ("OTTI") recognized in earnings on fixed maturity securities available for sale which was required to be presented prior to the adoption of ASU 2016-13:

	2022
Balance of credit-related OTTI at January 1	\$ 264,977
Additions for credit impairments recognized on:	
Securities not previously impaired	-
Securities previously impaired	-
Reductions for credit impairments previously recognized on:	
Securities that matured or were sold during the period (realized)	(39,502)
Securities due to an increase in expected cash flows	-
Balance of credit-related OTTI at September 30	<u>\$ 225,475</u>

	Three Months Ended March 31, 2023				
	U.S. Treasury securities and obligations of U.S. Government agencies	Obligations of states and political subdivisions	Corporate securities including public utilities	Mortgage-backed securities	Total
Beginning balance - January 1, 2023	\$ -	\$ -	\$ -	\$ -	\$ -
Additions for credit losses not previously recorded	-	-	179,500	-	179,500
Change in allowance on securities with previous allowance	-	-	-	-	-
Reductions for securities sold during the period	-	-	-	-	-
Reductions for securities with credit losses due to intent to sell	-	-	-	-	-
Write-offs charged against the allowance	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Ending Balance - March 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,500</u>	<u>\$ -</u>	<u>\$ 179,500</u>

The table below presents the amortized cost and the estimated fair value of fixed maturity securities available for sale as of **September 30, 2023** **March 31, 2024**, by contractual maturity. Actual or expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in 1 year	\$ 6,818,008	\$ 6,812,398	\$ 72,470,984	\$ 72,077,712
Due in 2-5 years	160,874,392	155,802,499	123,253,754	120,601,532
Due in 5-10 years	93,763,663	88,297,470	85,540,964	84,576,263
Due in more than 10 years	85,688,206	78,128,401	65,101,877	62,578,557
Mortgage-backed securities	32,889,293	27,147,491	39,788,398	35,739,343

Redeemable preferred stock	250,000	260,000	250,000	260,000
Total	\$ 380,283,562	\$ 356,448,259	\$ 386,405,977	\$ 375,833,407

Information regarding sales of fixed maturity securities available for sale is presented as follows.

	Three Months Ended March 31,	
	2024	2023
Proceeds from sales	\$ 179,989	\$ 1,209,844
Gross realized gains	303	15,490
Gross realized losses	(854)	(54,104)

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)

3) Investments (Continued)

Assets on Deposit, Held in Trust, and Pledged as Collateral

Assets on deposit with life insurance regulatory authorities as required by law were as follows:

	As of March 31, 2024	As of December 31, 2023
Fixed maturity securities available for sale at estimated fair value	\$ 6,068,973	\$ 6,206,650
Other investments	400,000	400,000
Cash and cash equivalents	1,982,298	1,909,215
Total assets on deposit	<u><u>\$ 8,451,271</u></u>	<u><u>\$ 8,515,865</u></u>

Assets held in trust related to third-party reinsurance agreements were as follows:

	As of March 31, 2024	As of December 31, 2023
Fixed maturity securities available for sale at estimated fair value	\$ 27,718,677	\$ 27,903,952
Cash and cash equivalents	2,469,301	2,101,052
Total assets on deposit	<u><u>\$ 30,187,978</u></u>	<u><u>\$ 30,005,004</u></u>

The Company is a member of the Federal Home Loan Bank of Des Moines and Dallas ("FHLB"). The Company had Assets pledged a total of \$92,437,113, at estimated fair value, of fixed maturity securities as collateral with the FHLB as of September 30, 2023, are presented below. These pledged securities are used as collateral for any FHLB cash advances. As of September 30, 2023, the Company owed nil to the FHLB and its estimated maximum borrowing capacity was \$85,218,402.

Information regarding sales of fixed maturity securities available for sale is presented as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Proceeds from sales	\$ 207,522	\$ 1,198,240	\$ 1,163,132	\$ 1,886,891
Gross realized gains	-	21,926	11,257	24,281
Gross realized losses	(3,368)	(24,811)	(57,472)	(32,656)

	As of March 31, 2024	As of December 31, 2023
Fixed maturity securities available for sale at estimated fair value	\$ 94,098,666	\$ 93,903,089
Total assets pledged as collateral	<u><u>\$ 94,098,666</u></u>	<u><u>\$ 93,903,089</u></u>

Assets on deposit with life insurance regulatory authorities as required by law were as follows:

	As of September 30, 2023	As of December 31, 2022
Fixed maturity securities available for sale	\$ 6,248,114	\$ 8,817,959
Cash and cash equivalents	1,956,777	2,214,206
Total	<u><u>\$ 8,204,891</u></u>	<u><u>\$ 11,032,165</u></u>

There were no investments, aggregated by issuer, of more than 10% of shareholders' equity (before net unrealized gains and losses on equity securities and fixed maturity securities) as of September 30, 2023, other than investments issued or guaranteed by the United States Government.

Real Estate Held for Investment and Held for Sale

The Company strategically deploys resources into real estate assets to match the income and yield durations of its primary obligations. The sources for these real estate assets come through its various business units in the form of acquisition, development, and mortgage foreclosures.

Commercial Real Estate Held for Investment and Held for Sale

The Company owns and manages commercial real estate assets as a means of generating investment income. These assets are acquired in accordance with the Company's goals and objectives for risk-adjusted returns. Due diligence is conducted on each asset using internal and third-party resources. The geographic locations and asset classes of investments are determined by senior management under the direction of the Board of Directors.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2024 (Unaudited)

3) Investments (Continued)

The Company employs full-time employees to attend to the day-to-day operations of those assets within the greater Salt Lake area and close surrounding markets. The Company utilizes third party property managers where the geographic location does not warrant full-time staff or through strategic lease-up periods. The Company generally looks to acquire assets that are in regions expected to have high growth in employment and population and that provide operational efficiencies.

The Company currently owns and operates **nine** **seven** commercial properties in **three** **two** states. These properties include office buildings, flex office space, and the redevelopment and expansion of its corporate campus ("Center53") in Salt Lake City, Utah. The Company uses bank debt in strategic cases, primarily where it is anticipated to improve yields, or facilitate the acquisition of higher quality assets or asset class diversification.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 (Unaudited)

3) Investments (Continued)

The aggregated net book value of commercial real estate serving as collateral for bank loans was \$125,641,402 123,079,008 and \$129,330,119 124,381,467 as of September 30, 2023, March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The associated bank loan carrying values totaled \$98,250,725 97,359,494 and \$97,112,131 97,807,614 as of September 30, 2023, March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

During the three and nine month periods ended September 30, 2023, March 31, 2024 and 2022, 2023, the Company did not record any impairment losses on commercial real estate held for investment or held for sale. Impairment losses, if any, are included in gains (losses) on investment and other assets on the condensed consolidated statements of earnings.

During the three month periods ended September 30, 2023, March 31, 2024 and 2022, 2023, the Company recorded depreciation expense on commercial real estate held for investment of \$1,572,494 1,527,793 and \$1,604,195 1,565,927, respectively, and of \$4,715,322 and \$4,593,468 during the nine month periods ended September 30, 2023, and 2022, respectively. Commercial real estate held for investment is stated at cost and is depreciated over the estimated useful life, primarily using the straight-line method. Depreciation is included in net investment income on the consolidated statements of earnings.

The Company's commercial real estate held for investment is summarized as follows as of the respective dates indicated:

	Net Book Value		Total Square Footage		Net Book Value		Total Square Footage	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Utah (1)	\$ 143,735,609	\$ 147,627,946	625,920	625,920	\$ 128,904,262	\$ 142,475,177	546,941	625,920
Louisiana	19,416	2,380,847	1,622	31,778	19,084	19,250	1,622	1,622
Mississippi	2,901,441	2,881,863	19,694	19,694				
	\$ 146,656,466	\$ 152,890,656	647,236	677,392	\$ 128,923,346	\$ 142,494,427	548,563	627,542

(1) Includes Center53

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2024 (Unaudited)

3) Investments (Continued)

The Company's commercial real estate held for sale is summarized as follows as of the respective dates indicated:

	Net Book Value		Total Square Footage		Net Book Value		Total Square Footage	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Louisiana	\$ 2,327,107	\$ -	30,156	-				
Mississippi (1)	151,553	151,553	-	-	\$ 151,553	\$ 3,028,973	-	19,694
Utah (2)					12,111,772	-	78,979	-
	<u>\$ 2,478,660</u>	<u>\$ 151,553</u>	<u>30,156</u>	<u>-</u>	<u>\$ 12,263,325</u>	<u>\$ 3,028,973</u>	<u>78,979</u>	<u>19,694</u>

(1) Consists of approximately 93 acres of undeveloped land for \$151,553 for 2024 and 2023. The remaining property for \$2,877,420 was sold in February 2024 for a gain of approximately \$250,000.

(2) Sold in April 2024 for a gain of approximately \$3,000

These properties are being marketed with the assistance of commercial real estate brokers in Mississippi and Louisiana.

Residential Real Estate Held for Investment and Held for Sale

The Company occasionally acquires a small portfolio of residential homes primarily because of loan foreclosures. The Company has the option to sell these properties or to continue to hold them for expected cash flow and price appreciation. The Company also invests in residential subdivision development.

The Company established Security National Real Estate Services ("SNRE") to manage its residential property portfolio. SNRE cultivates and maintains the preferred vendor relationships necessary to manage costs and quality of work performed on the Company's entire residential property portfolio.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****September 30, 2023 (Unaudited)****3) Investments (Continued)**

During the three and nine month periods ended September 30, 2023, March 31, 2024 and 2022 2023 the Company did not record any impairment losses on residential real estate held for sale or held for investment. Impairment losses, if any, are included in gains (losses) on investment and other assets on the condensed consolidated statements of earnings.

During the three month periods ended September 30, 2023, March 31, 2024 and 2022 2023, the Company recorded depreciation expense on residential real estate held for investment of \$2,648 2,653 and \$2,648, respectively, and of \$7,944 and \$7,944 during the nine month periods ended September 30, 2023, and 2022, respectively. Residential real estate held for investment is stated at cost and is depreciated over the estimated useful life, primarily using the straight-line method. Depreciation is included in net investment income on the consolidated statements of earnings.

The Company's residential real estate held for investment is summarized as follows as of the respective dates indicated:

	Net Book Value	
	September 30, 2023	December 31, 2022
	\$	\$
Utah (1)	38,034,997	38,437,960
	\$	\$
	38,034,997	38,437,960

	Net Book Value	
	March 31, 2024	December 31, 2023
	\$	\$
Utah (1)	54,638,976	40,924,865
	\$	\$
	54,638,976	40,924,865

(1) Includes multiple residential subdivision development projects

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2024 (Unaudited)

3) Investments (Continued)

The following table presents additional information regarding the Company's residential subdivision development in Utah:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Lots developed	50	80	64	42
Lots to be developed	1,080	1,131	1,269	1,145
Book Value	\$ 37,846,685	\$ 38,241,705	\$ 54,449,234	\$ 40,739,201

The Company's residential real estate held for sale is summarized as follows as of the respective dates indicated:

	Net Book Value	
	September 30, 2023	December 31, 2022
	\$ 2,285,707(1)	\$ 11,010,029
Utah	\$ 2,285,707	\$ 11,010,029
(1) Unimproved land		
Utah	March 31, 2024	December 31, 2023
	\$ 859,599	\$ -
	\$ 859,599	\$ -

The net book value of foreclosed residential real estate included in residential real estate held for sale was \$859,599 and nil and \$11,010,029 as of September 30, 2023, March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 (Unaudited)

3) Investments (Continued)

Real Estate Owned and Occupied by the Company

The primary business units of the Company occupy a portion of the real estate owned by the Company. As of **September 30, 2023** **March 31, 2024**, real estate owned and occupied by the Company is summarized as follows:

Location	Business Segment	Approximate Square Footage	Square Footage Occupied by the Company
433 Ascension Way, Floors 4, 5 and 6, Salt Lake City, UT - Center53 Building 2 (1)	Corporate Offices, Life Insurance, Cemetery/Mortuary Operations, and Mortgage Operations and Sales	221,000	50%
1044 River Oaks Dr., Flowood, MS (1)	Life Insurance Operations	19,694	28%
1818 Marshall Street, Shreveport, LA (2)	Life Insurance Operations	12,274	100%
909 Foisy Street, Alexandria, LA (2)	Life Insurance Sales	8,059	100%
812 Sheppard Street, Minden, LA (2)	Life Insurance Sales	1,560	100%
1550 N 3rd Street, Jena, LA (2)	Life Insurance Sales	1,737	100%

Location	Business Segment	Approximate Square Footage	Square Footage Occupied by the Company
433 Ascension Way, Floors 4, 5 and 6, Salt Lake City, UT - Center53 Building 2 (1)	Corporate Offices, Life Insurance, Cemetery/Mortuary Operations, and Mortgage Operations and Sales	221,000	50%
1818 Marshall Street, Shreveport, LA (2)	Life Insurance Operations	12,274	100%
909 Foisy Street, Alexandria, LA (2) (3)	Life Insurance Sales	8,059	100%
812 Sheppard Street, Minden, LA (2) (4)	Life Insurance Sales	1,560	100%

- (1) Included in real estate held for investment on the condensed consolidated balance sheets
- (2) Included in property and equipment on the condensed consolidated balance sheets
- (3) Sold in April 2024 for a loss of approximately \$39,000
- (4) Listed for sale

Mortgage Loans Held for Investment

Mortgage loans held for investment consist of first and second mortgages. The mortgage loans bear interest at rates ranging from **2.0%** **2.0%** to **10.5%** **10.5%**, maturity dates range from nine months to 30 years and the loans are secured by real estate.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2024 (Unaudited)

3) Investments (Continued)

Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential mortgages, commercial loans and residential construction loans and requires collateral on all real estate exposures, a substantial portion of the relevant debtors' ability to honor obligations is dependent upon the economic stability of the geographic region in which the debtors do business or are employed. As of **September 30, 2023** **March 31, 2024**, the Company had **45% 43%, 12% 11%, 9% 8%, 7% 8%** and **6% 7%**, of its mortgage loans from borrowers located in the states of Utah, Florida, California, Texas, and Arizona, respectively. As of **December 31, 2022** **December 31, 2023**, the Company had **64% 44%, 10% 11%, 5% 10%, 7%** and **5% 6%** of its mortgage loans from borrowers located in the states of Utah, Florida, California, **Texas**, and **Texas**, Arizona respectively.

Mortgage loans held for investment are carried at their unpaid principal balances adjusted for net deferred fees, charge-offs, premiums, discounts, and the related allowance for credit losses. Interest income is included in net investment income on the condensed consolidated statements of earnings and is recognized when earned. The Company defers related material loan origination fees, net of related direct loan origination costs, and amortizes the net fees over the terms of the loans. Origination fees are included in net investment income on the condensed consolidated statements of earnings.

Mortgage loans are secured by the underlying property and require an appraisal at the time of underwriting and funding. Generally, the Company requires that loans not exceed 80% of the fair market value of the respective loan collateral. For loans of more than 80% of the fair market value of the respective loan collateral, additional collateral or mortgage insurance by an approved third-party insurer is required.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 (Unaudited)

3) Investments (Continued)

Evaluation of Allowance for Credit Losses

See Note 2 regarding the adoption of ASU 2016-13.

The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the Company's mortgage loans held for investment to present the net amount expected to be collected. The Company reports in net earnings, as a credit loss expense, the amount necessary to adjust the allowance for credit losses for the Company's current estimate of expected credit losses on mortgage loans held for investment. This credit loss expense is included in other expenses on the condensed consolidated statements of earnings.

Once a mortgage loan is past due 90 days, it is the policy of the Company to end the accrual of interest income on the loan and reverse any interest income that had been accrued. Given this policy, the Company does not measure a credit loss allowance on accrued interest receivable. Accrued interest receivable is included in accrued investment income on the condensed consolidated balance sheets. Payments received for mortgage loans on a non-accrual status are recognized when received. The interest income recognized from payments received for mortgage loans on a non-accrual status was immaterial. Accrual of interest resumes if a mortgage loan is brought current. Interest not accrued on these loans totaled approximately **\$249,000** **328,000** and **\$226,000** **237,000** as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

The Company measures expected credit losses based on the fair value of the collateral when the Company determines that foreclosure is probable. When a mortgage loan becomes delinquent, the Company proceeds to foreclose and all expenses for foreclosure are expensed as incurred. Once foreclosed, the property is classified as real estate held for investment or held for sale.

To determine the allowance for credit losses, the Company has segmented its mortgage loans held for investment by loan type. The Company's loan types are commercial, residential, and residential construction. The inherent risks within the portfolio vary depending upon the loan type as follows:

Commercial - Underwritten in accordance with the Company's policies to determine the borrower's ability to repay the obligation as agreed. Commercial loans are made primarily based on the underlying collateral supporting the loan. Accordingly, the repayment of a commercial loan depends primarily on the collateral and its ability to generate income and secondarily on the borrower's (or guarantor's) ability to repay.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2024 (Unaudited)

3) Investments (Continued)

Commercial loans are evaluated for credit loss by analyzing loan attributes common metrics that are predictors for future credit losses. The Company uses a combination of the losses such as debt service coverage ratio ("DSCR") and, loan to value ("LTV"), local market conditions, borrower quality, and underlying collateral. The fair value of the underlying collateral is based on a third-party appraisal of the property at origination of the loan. The fair value is assessed if the loan becomes 90 days delinquent. The Company uses these metrics to group pool similar loans. The allowance for credit losses is based on estimates, historical experience, probability of loss, value of the underlying collateral, and other factors that affect the collectability of the loan. The Company applies a future loss factor to the outstanding balance of each group to arrive at the allowance for credit loss, losses.

Residential— These loans are secured by first and second mortgages on single-family dwellings. The borrower's ability to repay is sensitive to the life events and the general economic condition of the region. Where loan to value exceeds 80%, the loan is generally guaranteed by private mortgage insurance, the FHA, or VA.

The Residential loans are evaluated for credit loss by using relevant available information from both internal and external sources. Among other things, the Company uses a third-party to provide its historical delinquency information and considers current and forecasted economic conditions. External sources include a monthly analysis of its residential portfolio for credit losses, by a third party. The third party uses the Company's current loan data and runs it through various models to project cash flows and provide a projected life of loan loss. The models consider loan features such as loan type, loan to value, payment status, age, and current property values. The Analyzing the information from the various sources allows the Company also considers historical delinquency rates and current unemployment trends.

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 (Unaudited)

3) Investments (Continued) arrive at the allowance for credit losses.

Residential construction (including land acquisition and development) – These loans are underwritten in accordance with the Company's underwriting policies, which include a financial analysis of the builders, borrowers (guarantors), construction cost estimates, and independent appraisal valuations, and factor in estimates of the value of construction projects upon completion. Construction loans generally involve the disbursement of substantial funds over a short period of time with repayment substantially dependent upon the success of the completed project and the ability of the borrower to secure long-term financing.

Additionally, land acquisition and development loans are underwritten in accordance with the Company's underwriting policies, which include independent appraisal valuations as well as the estimated value associated with the land upon completion of development into finished lots. These loans are of a higher risk than other mortgage loans due to their ultimate repayment being sensitive to general economic conditions, availability of long-term or construction financing, and interest rate sensitivity.

To determine the allowance for credit losses on residential **Residential** construction mortgage loans the Company considers are evaluated for credit loss by considering historical activity and current housing market trends. Given the continued volatility in the housing trends to arrive at a per loan basis point allowance that is recognized at loan origination and for subsequent draws. The per loan basis point is reviewed at least annually or as loan losses or market the Company has adjusted its credit loss analysis. trends require.

The following table presents a roll forward of the allowance for credit losses as of the dates indicated:

	<u>Commercial</u>	<u>Residential</u>	<u>Residential Construction</u>	<u>Total</u>
September 30, 2023				
Allowance for credit losses:				
Beginning balance - January 1, 2023	\$ 187,129	\$ 1,739,980	\$ 43,202	\$ 1,970,311
Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-13) (1)	555,807	(192,607)	301,830	665,030
Change in provision for credit losses (2)	67,246	52,797	(142,440)	(22,397)
Charge-offs	-	-	-	-
Ending balance - September 30, 2023	<u>\$ 810,182</u>	<u>\$ 1,600,170</u>	<u>\$ 202,592</u>	<u>\$ 2,612,944</u>
December 31, 2022				
Allowance for credit losses:				
Beginning balance - January 1, 2022	\$ 187,129	\$ 1,469,571	\$ 43,202	\$ 1,699,902
Change in provision for credit losses (2)	-	270,409	-	270,409
Charge-offs	-	-	-	-
Ending balance - December 31, 2022	<u>\$ 187,129</u>	<u>\$ 1,739,980</u>	<u>\$ 43,202</u>	<u>\$ 1,970,311</u>

	Three Months Ended			
	Commercial		Residential	
	Residential	Construction	Total	
Beginning balance - January 1, 2024	\$ 1,219,653	\$ 2,390,894	\$ 208,106	\$ 3,818,653
Change in provision for credit losses	(360,031)	(528,399)	(8,609)	(897,039)
Charge-offs	-	-	-	-
Ending balance - March 31, 2024	<u>\$ 859,622</u>	<u>\$ 1,862,495</u>	<u>\$ 199,497</u>	<u>\$ 2,921,614</u>
Beginning balance - January 1, 2023	\$ 187,129	\$ 1,739,980	\$ 43,202	\$ 1,970,311
Adoption of ASU 2016-13 (1)	555,807	(192,607)	301,830	665,030
Change in provision for credit losses (2)	15,195	137,727	(52,844)	100,078
Charge-offs	-	-	-	-
Ending balance - March 31, 2023	<u>\$ 758,131</u>	<u>\$ 1,685,100</u>	<u>\$ 292,188</u>	<u>\$ 2,735,419</u>

(1) See Note 2 of the notes to the condensed consolidated financial statements

(2) Included in other expenses on the condensed consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)

3) Investments (Continued)

The following table presents the aging of mortgage loans held for investment by loan type as of the dates indicated:

	Commercial	Residential	Residential Construction	Total	Commercial	Residential	Residential Construction	Total
<u>September 30, 2023</u>								
<u>March 31, 2024</u>								
30-59 days past due	\$ 3,139,403	\$ 3,816,822	\$ 805,766	\$ 7,761,991	\$ 5,056,753	\$ 3,868,858	\$ -	\$ 8,925,611
60-89 days past due	-	1,795,326	-	1,795,326	-	2,018,961	-	2,018,961
Over 90 days past due (1)	1,646,508	3,778,582	1,005,417	6,430,507	405,000	3,001,826	-	3,406,826
In process of foreclosure (1)	-	276,580	-	276,580	191,508	1,694,997	-	1,886,505
Total past due	4,785,911	9,667,310	1,811,183	16,264,404	5,653,261	10,584,642	-	16,237,903
Current	51,205,116	86,924,333	99,484,568	237,614,017	61,422,824	96,179,990	99,748,408	257,351,222
Total mortgage loans	55,991,027	96,591,643	101,295,751	253,878,421	67,076,085	106,764,632	99,748,408	273,589,125
Allowance for credit losses	(810,182)	(1,600,170)	(202,592)	(2,612,944)	(859,622)	(1,862,495)	(199,497)	(2,921,614)
Unamortized deferred loan fees, net	(145,572)	(1,129,517)	(354,457)	(1,629,546)	(144,981)	(1,168,387)	(398,123)	(1,711,491)
Unamortized discounts, net	(220,276)	(108,557)	-	(328,833)	(159,979)	(159,257)	-	(319,236)
Net mortgage loans held for investment	\$ 54,814,997	\$ 93,753,399	\$ 100,738,702	\$ 249,307,098	\$ 65,911,503	\$ 103,574,493	\$ 99,150,788	\$ 268,636,784
<u>December 31, 2022</u>								
30-59 days past due	\$ 1,000,000	\$ 3,553,390	\$ -	\$ 4,553,390				
60-89 days past due	-	814,184	-	814,184				
Over 90 days past due (1)	-	1,286,211	-	1,286,211				
In process of foreclosure (1)	405,000	876,174	-	1,281,174				
Total past due	1,405,000	6,529,959	-	7,934,959				
Current	44,906,955	86,825,664	172,516,125	304,248,744				
Total mortgage loans	46,311,955	93,355,623	172,516,125	312,183,703				
Allowance for credit losses	(187,129)	(1,739,980)	(43,202)	(1,970,311)				
Unamortized deferred loan fees, net	(199,765)	(1,212,994)	(333,846)	(1,746,605)				
Unamortized discounts, net	(230,987)	(111,873)	-	(342,860)				
Net mortgage loans held for investment	\$ 45,694,074	\$ 90,290,776	\$ 172,139,077	\$ 308,123,927				
<u>December 31, 2023</u>								
30-59 days past due	\$ -	\$ 3,387,673	\$ -	\$ 3,387,673				
60-89 days past due	-	3,472,760	-	3,472,760				
Over 90 days past due (1)	405,000	3,480,931	-	3,885,931				
In process of foreclosure (1)	1,241,508	1,021,790	-	2,263,298				
Total past due	1,646,508	11,363,154	-	13,009,662				
Current	72,530,030	91,790,433	104,052,748	268,373,211				

Total mortgage loans	<u>74,176,538</u>	<u>103,153,587</u>	<u>104,052,748</u>	<u>281,382,873</u>
Allowance for credit losses	<u>(1,219,653)</u>	<u>(2,390,894)</u>	<u>(208,106)</u>	<u>(3,818,653)</u>
Unamortized deferred loan fees, net	<u>(172,989)</u>	<u>(1,135,491)</u>	<u>(314,746)</u>	<u>(1,623,226)</u>
Unamortized discounts, net	<u>(216,705)</u>	<u>(107,452)</u>	<u>-</u>	<u>(324,157)</u>
Net mortgage loans held for investment	<u>\$ 72,567,191</u>	<u>\$ 99,519,750</u>	<u>\$ 103,529,896</u>	<u>\$ 275,616,837</u>

(1) Interest income is not recognized on loans which are more than 90 days past due or in foreclosure.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)

3) Investments (Continued)

Credit Quality Indicators

The Company evaluates and monitors the credit quality of its commercial loans by analyzing loan to value ("LTV") and debt service coverage ratios ("DSCR"). Monitoring a commercial mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment.

The aggregate unpaid principal balance of commercial mortgage loans by credit quality indicator and origination year was as follows as of **September 30, 2023** **March 31, 2024**:

Credit Quality Indicator	2023	2022	2021	2020	2019	Prior	Total	% of Total	2024	2023	2022
LTV:											
Credit Quality Indicator											
LTV:											
Less than 65%	\$ 17,525,000	\$ 13,396,458	\$ 3,800,378	\$ -	\$ 2,989,026	\$ 6,796,621	\$ 44,507,483	79.49%	\$ 4,221,500	\$ 34,304,450	\$ 3,312,450
65% to 80%	-	4,585,706	1,050,000	4,913,313	-	-	10,549,019	18.84%	432,978	1,523,926	4,712,450
Greater than 80%	-	529,525	405,000	-	-	-	934,525	1.67%	-	-	-
Total	\$ 17,525,000	\$ 18,511,689	\$ 5,255,378	\$ 4,913,313	\$ 2,989,026	\$ 6,796,621	\$ 55,991,027	100.00%	\$ 4,654,478	\$ 35,828,376	\$ 8,132,450
DSCR:											
>1.20x	\$ 5,725,000	\$ 1,000,000	\$ 1,750,000	\$ 4,913,313	\$ 2,989,026	\$ 2,754,604	\$ 19,131,943	34.17%	\$ 4,221,500	\$ 20,990,000	\$ 1,032,450
1.00x - 1.20x	5,300,000	8,496,130	3,505,378	-	-	4,042,017	21,343,525	38.12%	432,978	8,338,376	7,112,450
<1.00x	6,500,000	9,015,559(1)	-	-	-	-	15,515,559	27.71%	-	6,500,000	-
Total	\$ 17,525,000	\$ 18,511,689	\$ 5,255,378	\$ 4,913,313	\$ 2,989,026	\$ 6,796,621	\$ 55,991,027	100.00%	\$ 4,654,478	\$ 35,828,376	\$ 8,132,450

The aggregate unpaid principal balance of commercial mortgage loans by credit quality indicator and origination year was as follows as of **December 31, 2023**:

Credit Quality Indicator LTV:	2023	2022	2021	2020	2019	Prior	Total	% of Total			
Less than 65%	\$ 34,304,954	\$ 13,555,737	\$ 3,778,248	\$ -	\$ 2,964,740	\$ 6,565,389	\$ 61,169,068	82.46%			
65% to 80%	1,523,926	5,115,231	1,050,000	4,913,313	-	-	12,602,470	16.99%			
Greater than 80%	-	-	405,000	-	-	-	405,000	0.55%			
Total	\$ 35,828,880	\$ 18,670,968	\$ 5,233,248	\$ 4,913,313	\$ 2,964,740	\$ 6,565,389	\$ 74,176,538	100.00%			
DSCR:											
>1.20x	\$ 20,990,000	\$ 1,000,000	\$ 700,000	\$ 4,913,313	\$ 2,964,740	\$ 2,612,625	\$ 33,180,678	44.73%			
1.00x - 1.20x	8,338,880	8,496,127	3,483,248	-	-	3,952,764	24,271,019	32.72%			
<1.00x	6,500,000	9,174,841(1)	1,050,000	-	-	-	16,724,841	22.55%			
Total	\$ 35,828,880	\$ 18,670,968	\$ 5,233,248	\$ 4,913,313	\$ 2,964,740	\$ 6,565,389	\$ 74,176,538	100.00%			

(1) Commercial construction loan

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2024 (Unaudited)

3) Investments (Continued)

The Company evaluates and monitors the credit quality of its residential mortgage loans by analyzing **LTV** and loan performance. The Company defines non-performing mortgage loans as loans more than 90 days past due and on a non-accrual status. Monitoring a residential mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment.

The aggregate unpaid principal balance of residential mortgage loans by credit quality indicator and origination year was as follows as of **September 30, 2023** **March 31, 2024**:

Credit Quality Indicator	2023	2022	2021	2020	2019	Prior	Total	% of Total	2024	2023
Performance Indicators:										
Performing										
Performing	\$ 7,788,450	\$ 55,306,009	\$ 7,249,701	\$ 7,495,836	\$ 2,808,390	\$ 11,888,093	\$ 92,536,479	95.80 %	\$ 3,547,990	\$ 16,709,844
Non-performing (1)	324,111	838,669	741,534	800,486	-	1,350,364	4,055,164	4.20 %	-	398,402
Total	\$ 8,112,561	\$ 56,144,678	\$ 7,991,235	\$ 8,296,322	\$ 2,808,390	\$ 13,238,457	\$ 96,591,643	100.00 %	\$ 3,547,990	\$ 17,108,246

(1) Includes residential mortgage loans in the process of foreclosure of **\$276,580** **1,694,997** as of September 30, 2023

LTV:									
Less than 65%	\$ 750,581	\$ 3,288,230	\$ 7,025,668	\$ 2,629,210	\$ 1,577,667	\$ 5,951,632	\$ 21,222,988	19.88 %	
65% to 80%	2,797,409	11,187,143	43,201,988	3,309,638	4,000,015	7,368,980	71,865,173	67.31 %	
Greater than 80%	-	2,632,873	4,603,005	1,472,401	2,538,279	2,429,913	13,676,471	12.81 %	
Total	\$ 3,547,990	\$ 17,108,246	\$ 54,830,661	\$ 7,411,249	\$ 8,115,961	\$ 15,750,525	\$ 106,764,632	100.00 %	

The aggregate unpaid principal balance of residential mortgage loans by credit quality indicator and origination year was as follows as of **December 31, 2023**:

Credit Quality Indicator	2023	2022	2021	2020	2019	Prior	Total	% of Total
Performance Indicators:								
Performing	\$ 15,337,828	\$ 53,875,389	\$ 7,156,934	\$ 7,453,796	\$ 2,786,562	\$ 12,040,357	\$ 98,650,866	95.63 %
Non-performing (1)	-	2,202,114	365,061	613,101	-	1,322,445	4,502,721	4.37 %
Total	\$ 15,337,828	\$ 56,077,503	\$ 7,521,995	\$ 8,066,897	\$ 2,786,562	\$ 13,362,802	\$ 103,153,587	100.00 %

(1) Includes residential mortgage loans in the process of foreclosure of **\$1,021,790**

LTV:									
Less than 65%	\$ 3,280,144	\$ 7,049,522	\$ 1,843,286	\$ 1,746,970	\$ 446,675	\$ 5,206,095	\$ 19,572,692	18.97 %	
65% to 80%	10,962,770	44,371,320	4,269,894	4,222,170	2,339,887	5,711,440	71,877,481	69.68 %	
Greater than 80%	1,094,914	4,656,661	1,408,815	2,097,757	-	2,445,267	11,703,414	11.35 %	
Total	\$ 15,337,828	\$ 56,077,503	\$ 7,521,995	\$ 8,066,897	\$ 2,786,562	\$ 13,362,802	\$ 103,153,587	100.00 %	

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
 Notes to Condensed Consolidated Financial Statements
 September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)

3) Investments (Continued)

The company evaluates and monitors the credit quality of its residential construction loans (including land acquisition and development loans) by analyzing LTV and loan performance. Monitoring a residential construction mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment.

The aggregate unpaid principal balance of residential construction mortgage loans by credit quality indicator and origination year was as follows as of **September 30, 2023** **March 31, 2024**:

Credit Quality Indicator	2023	2022	2021	Total	% of Total	2024	2023	2022	2021	Total
Performance Indicators:										
Performing										
Performing	\$ 48,525,276	\$ 27,213,555	\$ 24,551,503	\$ 100,290,334	99.01%	\$ 17,493,176	\$ 49,632,301	\$ 6,844,517	\$ 25,778,414	\$ 99,748,40
Non-performing	-	1,005,417	-	1,005,417	0.99%	-	-	-	-	-
Total	\$ 48,525,276	\$ 28,218,972	\$ 24,551,503	\$ 101,295,751	100.00%	\$ 17,493,176	\$ 49,632,301	\$ 6,844,517	\$ 25,778,414	\$ 99,748,40
LTV:										
Less than 65%										
Less than 65%	\$ 29,476,916	\$ 8,675,281	\$ 17,117,181	\$ 55,269,378	54.56%	\$ 17,493,176	\$ 28,656,715	\$ 4,459,888	\$ 25,778,414	\$ 76,388,19
65% to 80%										
65% to 80%	19,048,360	19,543,691	7,434,322	46,026,373	45.44%	-	20,975,586	2,384,629	-	23,360,21
Greater than 80%										
Greater than 80%	-	-	-	-	0.00%	-	-	-	-	-
Total	\$ 48,525,276	\$ 28,218,972	\$ 24,551,503	\$ 101,295,751	100.00%	\$ 17,493,176	\$ 49,632,301	\$ 6,844,517	\$ 25,778,414	\$ 99,748,40

The aggregate unpaid principal balance of residential construction mortgage loans by credit quality indicator and origination year was as follows as of **December 31, 2023**:

Credit Quality Indicator	2023	2022	2021	Total	% of Total
Performance Indicators:					
Performing					
Performing	\$ 60,311,679	\$ 16,624,182	\$ 27,116,887	\$ 104,052,748	100.00%
Non-performing	-	-	-	-	0.00%
Total	\$ 60,311,679	\$ 16,624,182	\$ 27,116,887	\$ 104,052,748	100.00%
LTV:					
Less than 65%					
Less than 65%	\$ 40,215,360	\$ 8,732,500	\$ 20,442,302	\$ 69,390,162	66.69%
65% to 80%					
65% to 80%	20,096,319	7,891,682	6,674,585	34,662,586	33.31%
Greater than 80%					
Greater than 80%	-	-	-	-	0.00%
Total	\$ 60,311,679	\$ 16,624,182	\$ 27,116,887	\$ 104,052,748	100.00%

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2024 (Unaudited)

3) Investments (Continued)

Insurance Assignments

The following table presents the aging of insurance assignments, included in other investments and policy loans on the condensed consolidated balance sheets:

	As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
30-59 days past due	\$ 9,374,806	\$ 10,621,443	\$ 10,589,598	\$ 10,829,629
60-89 days past due	3,591,685	3,997,484	4,534,618	3,709,754
Over 90 days past due	4,611,748	5,813,013	5,260,677	4,329,468
Total past due	17,578,239	20,431,941	20,384,893	18,868,851
Current	25,045,762	26,510,594	26,325,685	26,736,471
Total insurance assignments	42,624,001	46,942,536	46,710,578	45,605,322
Allowance for credit losses	(1,555,261)	(1,609,951)	(1,587,525)	(1,553,836)
Net insurance assignments	\$ 41,068,740	\$ 45,332,585	\$ 45,123,053	\$ 44,051,486

The Company records an allowance for credit losses when the insurance assignment is funded. Once an insurance assignment moves to 90 days or legal proceedings, it is monitored for write-off and collectability, and any adjustments to the allowance are recorded at that time. See Note 2 regarding the adoption of ASU 2016-13.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 (Unaudited)

3) Investments (Continued)

The following table presents a roll forward of the allowance for credit losses for insurance assignments as of the dates indicated:

	Three Months Ended
Beginning balance - January 1, 2024	\$ 1,553,836
Change in provision for credit losses (1)	250,567
Charge-offs	(216,878)
Ending balance - March 31, 2024	\$ 1,587,525
 Allowance	
Beginning balance - January 1, 2023	\$ 1,609,951
Change in provision for credit losses (1)	667,260
Charge-offs	(721,950)
Ending balance - September 30, 2023	\$ 1,555,261
 Allowance	
Beginning balance - January 1, 2022	\$ 1,686,218
Change in provision for credit losses (1)	889,480
Charge-offs	(965,747)
Ending balance - December 31, 2022	\$ 1,609,951
Ending balance - March 31, 2023	\$ 1,685,901

(1) Included in other expenses on the condensed consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2024 (Unaudited)

3) Investments (Continued)

Investment Related Earnings

The following table presents the realized gains and losses from sales, calls, and maturities, and unrealized gains and losses on equity securities from investments and other assets:

	2023		2022		2023		2022		Three Months Ended March 31,	
	Three Months Ended September 30,				Nine Months Ended September 30,				2024	2023
	2023	2022	2023	2022	2023	2022	2023	2022	2024	2023
Fixed maturity securities:										
Gross realized gains	\$ 37,565	\$ 30,121	\$ 54,619	\$ 205,755	\$ 303	\$ 15,491				
Gross realized losses	(10,383)	(26,203)	(102,182)	(36,961)	(854)	(54,891)				
Net credit loss (provision) release	1,740	-	(222,264)	-						
Net credit loss provision					(96,000)	(179,500)				
Equity securities:										
Gains (losses) on securities sold	324,009	(131,472)	277,057	(60,154)						
Unrealized losses on securities held at the end of the period	(1,321,511)	(1,383,627)	(423,448)	(4,097,049)						
Losses on securities sold					(61,103)	(52,315)				
Unrealized gains on securities held at the end of the period					1,542,863	331,430				
Real estate held for investment and sale:										
Gross realized gains	36,166	-	197,194	1,260,548	249,960	-				
Gross realized losses	-	(727,370)	-	(825,593)	-	-				
Other assets, including call and put option derivatives:										
Other assets:										
Gross realized gains	-	59,599	214,348	632,082	35,486	50,939				
Gross realized losses	-	-	-	-	(1,229)	-				
Total	\$ (932,414)	\$ (2,178,952)	\$ (4,676)	\$ (2,921,372)	\$ 1,669,426	\$ 111,154				

The realized gains and losses on the sale of securities are recorded on the trade date, and the cost of the securities sold is determined using the specific identification method.

Net realized gains and losses includes gains and losses by the restricted assets and cemetery perpetual care trust investments of the cemeteries and mortuaries of \$452,115 and \$640,593 582,172 in net losses gains and \$53,931 in net gains for the three month periods ended September 30, 2023, March 31, 2024 and 2022, respectively, and of \$200,605 and \$1,636,469 in net losses for the nine month periods ended September 30, 2023, and 2022, 2023, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
 Notes to Condensed Consolidated Financial Statements
 September 30, 2023 March 31, 2024 (Unaudited)

3) Investments (Continued)

3) Investments (Continued)

Major categories of net investment income were as follows:

	2023		2022		2023		2022		Three Months Ended March 31,	
	Three Months Ended September 30,		Nine Months Ended September 30,		2024		2023		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Fixed maturity securities available for sale	\$ 4,242,185	\$ 3,188,521	\$ 12,398,685	\$ 8,636,387	\$ 4,403,558	\$ 4,012,732				
Equity securities	167,348	139,412	448,564	382,246	168,148	140,507				
Mortgage loans held for investment	9,842,845	10,477,672	27,797,908	27,682,315	8,814,036	8,487,656				
Real estate held for investment and sale	3,291,047	3,918,310	11,553,643	10,970,535	3,515,061	3,364,924				
Policy loans	191,843	213,520	599,498	727,103	301,267	200,213				
Insurance assignments	4,340,644	4,218,184	13,570,659	13,708,894	5,076,549	4,768,203				
Other investments	213,560	181,597	555,720	350,603	198,959	129,056				
Cash and cash equivalents	1,083,241	514,869	2,651,148	698,601	1,690,957	787,762				
Gross investment income	23,372,713	22,852,085	69,575,825	63,156,684	24,168,535	21,891,053				
Investment expenses	(4,124,250)	(4,249,015)	(12,380,505)	(13,388,020)	(4,221,967)	(4,116,170)				
Net investment income	\$ 19,248,463	\$ 18,603,070	\$ 57,195,320	\$ 49,768,664	\$ 19,946,568	\$ 17,774,883				

Net investment income includes income earned by the restricted assets of the cemeteries and mortuaries of \$372,277 933,551 and \$675,259 633,527 for the three month periods ended September 30, 2023 March 31, 2024 and 2022, respectively, and of \$2,224,629 and \$1,882,502 for the nine month periods ended September 30, 2023 and 2022, 2023, respectively.

Net investment income on real estate consists primarily of rental revenue. Investment expenses consist primarily of depreciation, property taxes, operating expenses of real estate and an estimated portion of administrative expenses relating to investment activities.

Accrued Investment Income

Accrued investment income consists of the following:

	As of September 30, 2023		As of December 31, 2022		As of March 31, 2024	As of December 31, 2023
	\$		\$			
Fixed maturity securities available for sale	\$ 4,343,327		\$ 3,563,767		\$ 4,343,991	\$ 3,984,695
Equity securities	12,729		14,496		25,081	20,451
Mortgage loans held for investment	4,732,717		3,220,709		1,163,282	2,661,092
Real estate held for investment	3,158,708		3,455,305		3,411,928	3,486,115
Policy Loans	4,463		37,951			
Cash and cash equivalents	14,751		7,598		16,783	18,437
Total accrued investment income	\$ 12,266,695		\$ 10,299,826		\$ 8,961,065	\$ 10,170,790

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 March 31, 2024 (Unaudited)

4) Loans Held for Sale

The Company's loans held for sale portfolio is valued using the fair value option. Changes in the fair value of the loans are included in mortgage fee income. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on recognition of mortgage loan interest income and is included in mortgage fee income on the condensed consolidated statement of earnings. Included in loans held for sale are loans in the process of foreclosure with an aggregate unpaid principal balance of \$311,117 and \$1,636,090 as of March 31, 2024 and December 31, 2023, respectively. See Note 8 to the condensed consolidated financial statements for additional disclosures regarding loans held for sale.

The following table presents the aggregate fair value and the aggregate unpaid principal balance of loans held for sale:

	As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
Aggregate fair value	\$ 152,546,566	\$ 141,179,620	\$ 112,678,958	\$ 126,549,190
Unpaid principal balance	153,420,558	141,337,811	113,616,499	127,185,867
Unrealized loss	(873,992)	(158,191)	(937,541)	(636,677)

Mortgage Fee Income

Mortgage fee income consists of origination fees, processing fees, interest income and other income related to the origination and sale of mortgage loans held for sale.

Major categories of mortgage fee income for loans held for sale are summarized as follows:

	2023		2022		2023		2022		Three Months Ended March 31,	
	Three Months Ended September 30,		Nine Months Ended September 30,		2024		2023			
	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Loan fees	\$ 6,033,227	\$ 4,729,445	\$ 16,408,443	\$ 19,766,856	\$ 5,520,465	\$ 4,388,414				
Interest income	2,637,971	2,570,511	7,265,516	7,525,826	1,482,819	2,007,058				
Secondary gains	17,625,394	28,940,898	54,884,965	103,336,118	14,730,974	17,961,358				
Change in fair value of loan commitments	(1,504,286)	(3,271,282)	(977,716)	(2,843,155)	561,778	677,952				
Change in fair value of loans held for sale	(108,676)	(4,131,363)	(715,799)	(7,973,171)	(300,890)	794,614				
Provision (release) for loan loss reserve	252,389	(230,321)	138,369	(829,243)						
Provision for loan loss reserve								(163,476)		159,610
Mortgage fee income	\$ 24,936,019	\$ 28,607,888	\$ 77,003,778	\$ 118,983,231	\$ 21,831,670	\$ 25,989,006				

Loan Loss Reserve

Repurchase demands from third party investors that correspond to mortgage loans previously held for sale and sold are reviewed and relevant data is captured so that an estimated future loss can be calculated. The key factors that are used in the estimated future loss calculation are as follows: (i) lien position, (ii) payment status, (iii) claim type, (iv) unpaid principal balance, (v) interest rate, and (vi) validity of the demand. Other data is captured and is useful for management purposes; the actual estimated loss is generally based on these key factors. The Company conducts its own review upon the receipt of a repurchase demand. In many instances, the Company can resolve the issues relating to the repurchase demand by the third-party investor without having to make any payments to the investor.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 (Unaudited)

4) Loans Held for Sale (Continued)

The loan loss reserve, which is included in other liabilities and accrued expenses, is summarized as follows:

	As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
Balance, beginning of period	\$ 1,725,667	\$ 2,447,139	\$ 547,233	\$ 1,725,667
Provision on current loan originations (1)	770,220	1,078,812	163,476	27,164
Charge-offs, net of recaptured amounts	(1,804,134)	(1,800,284)	(210,102)	(1,205,598)
Balance, end of period	\$ 691,753	\$ 1,725,667	\$ 500,607	\$ 547,233

(1) Included in mortgage fee income

The Company maintains reserves for estimated losses on current production volumes. For the **nine** three month period ended **September 30, 2023** **March 31, 2024**, **\$770,220** **163,476** in reserves **were added** at a rate of 3.5 basis points per loan, the equivalent of **\$350** per **\$1,000,000** in loans originated. This is a decrease over the three month period ended March 31, 2023, when reserves of **\$239,801** were added at a rate of 4.5 basis points per loan the equivalent of **\$450** per **\$1,000,000** in loans originated. This is an increase over the nine month period ended September 30, 2022, when reserves of **\$829,243** were added at a rate of **2.9** basis points per loan originated, the equivalent of **\$290** **450** per **\$1,000,000** in loans originated. The Company monitors market data and trends, economic conditions (including forecasts) and its own experience to maintain adequate loss reserves on current production.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 March 31, 2024 (Unaudited)

5) Stock Compensation Plans

The Company has equity incentive plans (the “2013 Plan”, the “2014 Director Plan” and the “2022 Plan”).

Stock Options

Stock based compensation expense for stock options issued of \$145,973 198,998 and \$230,853 142,929 has been recognized for these plans for the three month periods ended **September 30, 2023**, **March 31, 2024** and **2022**, respectively, and \$430,856 and \$722,775 has been recognized for these plans for the nine month periods ended **September 30, 2023** and **2022, 2023**, respectively, and is included in personnel expenses on the condensed consolidated statements of earnings. As of **September 30, 2023** **March 31, 2024**, the total unrecognized compensation expense related to the options issued was \$102,775 512,854, which is expected to be recognized over the remaining vesting period.

The fair value of each option granted is estimated on the date of grant using the Black Scholes Option Pricing Model. The Company estimates the expected life of the options using the simplified method. Future volatility is estimated based upon the weighted historical volatility of the Company's Class A common stock over a period equal to the expected life of the options. The risk-free interest rate for the expected life of the options is based upon the Federal Reserve Board's daily interest rates in effect at the time of the grant.

Activity of the stock option plans during the nine month period ended September 30, 2023 March 31, 2024, is summarized as follows:

	Number of Class A Shares	Weighted Average Exercise Price (2)	Number of Class C Shares	Weighted Average Exercise Price (2)
Outstanding at January 1, 2023	976,605	\$ 4.56	1,157,203	\$ 5.31
Adjustment for the effect of stock dividends	38,266		57,859	
Granted	16,000		-	
Exercised	(233,180)		-	
Cancelled	-		-	
Outstanding at September 30, 2023	<u>797,691</u>	<u>\$ 4.78</u>	<u>1,215,062</u>	<u>\$ 5.31</u>
As of September 30, 2023:				
Options exercisable	<u>770,066</u>	<u>\$ 4.73</u>	<u>1,141,312</u>	<u>\$ 5.25</u>
As of September 30, 2023:				
Available options for future grant	<u>171,386</u>		<u>834,750</u>	
Weighted average contractual term of options outstanding at September 30, 2023	4.69 years		6.15 years	
Weighted average contractual term of options exercisable at September 30, 2023	4.53 years		6.03 years	
Aggregated intrinsic value of options outstanding at September 30, 2023 (1)	<u>\$ 2,438,675</u>		<u>\$ 3,074,037</u>	
Aggregated intrinsic value of options exercisable at September 30, 2023 (1)	<u>\$ 2,398,360</u>		<u>\$ 2,955,012</u>	
	Number of Class A Shares	Weighted Average Exercise Price (2)	Number of Class C Shares	Weighted Average Exercise Price (2)
Outstanding at January 1, 2024	833,570	\$ 5.22	1,520,062	\$ 5.86
Granted	16,500		-	
Exercised	-		-	
Cancelled	-		-	
Outstanding at March 31, 2024	<u>850,070</u>	<u>\$ 5.29</u>	<u>1,520,062</u>	<u>\$ 5.86</u>
As of March 31, 2024:				
Options exercisable	<u>765,695</u>	<u>\$ 4.97</u>	<u>1,291,312</u>	<u>\$ 5.47</u>
As of March 31, 2024:				
Available options for future grant	<u>76,320</u>		<u>529,750</u>	
Weighted average contractual term of options outstanding at March 31, 2024	5.00 years		6.25 years	
Weighted average contractual term of options exercisable at March 31, 2024	4.57 years		5.83 years	
Aggregated intrinsic value of options outstanding at March 31, 2024 (1)	<u>\$ 2,230,953</u>		<u>\$ 3,108,691</u>	
Aggregated intrinsic value of options exercisable at March 31, 2024 (1)	<u>\$ 2,246,543</u>		<u>\$ 3,146,491</u>	

(1) The Company used a stock price of **\$7.84** **7.91** as of **September 30, 2023** **March 31, 2024** to derive intrinsic value.

(2) Adjusted for the effect of annual stock dividends.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 March 31, 2024 (Unaudited)

5) Stock Compensation Plans

5) Stock Compensation Plans (Continued)

Activity of the stock option plans during the **nine three** month period ended **September 30, 2022** **March 31, 2023**, is summarized as follows:

	Number of Class A Shares	Weighted Average Exercise Price (2)	Number of Class C Shares	Weighted Average Exercise Price (2)
Outstanding at January 1, 2022	1,024,351	\$ 4.38	821,146	\$ 5.26
Adjustment for the effect of stock dividends	47,780		41,057	
Granted	4,000		-	
Exercised	(71,330)		-	
Cancelled	(1,591)		-	
Outstanding at September 30, 2022	1,003,210	\$ 4.58	862,203	\$ 5.26
 As of September 30, 2022:				
Options exercisable	978,835	\$ 4.49	804,703	\$ 5.04
 As of September 30, 2022:				
Available options for future grant	1,239,795		17,523	
 Weighted average contractual term of options outstanding at September 30, 2022	4.32 years		6.75 years	
 Weighted average contractual term of options exercisable at September 30, 2022	4.19 years		6.63 years	
 Aggregated intrinsic value of options outstanding at September 30, 2022 (1)	\$ 1,775,100		\$ 939,395	
 Aggregated intrinsic value of options exercisable at September 30, 2022 (1)	\$ 1,819,950		\$ 1,055,445	

	Number of Class A Shares	Weighted Average Exercise Price (2)	Number of Class C Shares	Weighted Average Exercise Price
Outstanding at January 1, 2023	976,605	\$ 4.78	1,157,203	\$ 5.59
Granted	16,000		-	
Exercised	(90,705)		-	
Cancelled	-		-	
Outstanding at March 31, 2023	901,900	\$ 4.92	1,157,203	\$ 5.59
 As of March 31, 2023:				
Options exercisable	827,025	\$ 4.76	935,953	\$ 5.36
 As of March 31, 2023:				
Available options for future grant	155,133		795,000	
 Weighted average contractual term of options outstanding at March 31, 2023	4.60 years		6.66 years	
 Weighted average contractual term of options exercisable at March 31, 2023	4.14 years		6.20 years	
 Aggregated intrinsic value of options outstanding at March 31, 2023 (1)	\$ 1,182,602		\$ 741,380	
 Aggregated intrinsic value of options exercisable at March 31, 2023 (1)	\$ 1,214,210		\$ 812,293	

(1) The Company used a stock price of **\$6.35** **6.23** as of **September 30, 2022** **March 31, 2023** to derive intrinsic value.

(2) Adjusted for the effect of annual stock dividends.

The total intrinsic value (which is the amount by which the fair value of the underlying stock exceeds the exercise price of an option on the exercise date) of stock options exercised during the **nine three** month periods ended **September 30, 2023** **March 31, 2024** and **2022 2023** was **\$454,923** **nil** and **\$521,527** **176,935**, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

5) Stock Compensation Plans (Continued)

5) Stock Compensation Plans (Continued)

Restricted Stock Units (“RSUs”)

Stock based compensation expense for RSUs issued of \$889 and \$nil742 has been recognized under these plans for each of the three month periods ended September 30, 2023 March 31, 2024 and 2022, and of \$742 and nil has been recognized under these plans for the nine month periods ended September 30, 2023 and 2022, 2023, respectively, and is included in personnel expenses on the condensed consolidated statements of earnings. As of September 30, 2023 March 31, 2024, the total unrecognized compensation expense related to the RSUs issued was \$nil 2,375. The fair value of each RSU granted, which is determined based on expected to be recognized over the Company's stock price on the date of grant. Prior to December 2022, the Company did not grant any RSUs remaining vesting period.

Activity of the RSUs during the nine three month period ended September 30, 2023 March 31, 2024 is summarized as follows:

	Number of Class A Shares	Weighted Average Grant Date Fair Value	Number of Class A Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2023	1,620	\$ 6.48		
Non-vested at January 1, 2024			2,245	\$ 7.72
Granted	-			
Vested	(810)		(405)	
Non-vested at September 30, 2023	810	\$ 6.48		
Non-vested at March 31, 2024			1,840	\$ 7.99
Available RSUs for future grant	\$ 18,380		16,540	
Aggregated intrinsic value of RSUs outstanding at September 30, 2023 (1)	\$ 1,102			

Activity of the RSUs during the three month period ended March 31, 2023 is summarized as follows:

(1) The Company used a stock price of \$7.84 as of September 30, 2023 to derive intrinsic value.

	Number of Class A Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2023	1,620	\$ 6.48
Granted	-	
Vested	-	
Non-vested at March 31, 2023	1,620	\$ 6.48
Available RSUs for future grant	18,380	

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

6) Earnings Per Share

Earnings per share amounts have been retroactively adjusted for the effect of annual stock dividends. In accordance with GAAP, the basic and diluted earnings per share amounts were calculated as follows:

	2023		2022		2023		2022		2024		2023	
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended		Three Months Ended		March 31,	
	September 30,		September 30,		September 30,		September 30,		March 31,		2023	
Numerator:	2023	2022	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023
Net earnings (loss)	\$ 4,041,293	\$ (2,353,185)	\$ 11,634,171	\$ 4,449,982								
Net earnings									\$ 7,474,522	\$ 1,240,172		
Denominator:												
Basic weighted-average shares outstanding	22,063,495	21,976,292	22,066,243	22,213,846	22,219,490	22,129,713						
Effect of dilutive securities:												
Employee stock options	768,231	719,704	634,099	822,367	726,352	558,060						
Diluted weighted-average shares outstanding	22,831,726	22,695,996	22,700,342	23,036,213	22,945,842	22,687,773						
Basic net earnings (loss) per share	\$ 0.18	\$ (0.11)	\$ 0.53	\$ 0.20								
Basic net earnings per share					\$ 0.34	\$ 0.06						
Diluted net earnings (loss) per share	\$ 0.18	\$ (0.10)	\$ 0.51	\$ 0.19					\$ 0.33	\$ 0.05		
Diluted net earnings per share												

For the nine three month periods ended September 30, 2023, March 31, 2024 and 2022, 2023, there were 55,125,467,125 and 339,150,730,270 anti-dilutive stock option shares, respectively, that were not included in the computation of diluted net earnings per common share as their effect would be anti-dilutive. Basic and diluted earnings per share amounts are the same for each class of common stock.

The following table summarizes the activity in shares of capital stock.

	Class A		Class C		Class A	Class C
	Outstanding shares at December 31, 2021	17,642,722	Outstanding shares at December 31, 2022	2,866,565	18,758,031	2,889,859
Stock dividends					48,046	-
Exercise of stock options						
Vesting of restricted stock units						
Conversion of Class C to Class A					936	(936)
Outstanding shares at March 31, 2023					18,807,013	2,888,923
Outstanding shares at December 31, 2023					20,048,002	2,971,854
Common stock, outstanding shares, beginning					20,048,002	2,971,854
Exercise of stock options		69,096			-	-
Vesting of restricted stock units		-			-	405
Stock dividends		889,554		139,462		
Conversion of Class C to Class A		116,168		(116,168)	174	(174)
Outstanding shares at September 30, 2022		18,717,540		2,889,859		
Outstanding shares at December 31, 2022		18,758,031		2,889,859		

Common stock, shares, outstanding, beginning	18,758,031	2,889,859
Exercise of stock options	239,191	-
Vesting of restricted stock units	810	-
Stock dividends	949,980	141,594
Conversion of Class C to Class A	<u>59,599</u>	<u>(59,599)</u>
 Outstanding shares at September 30, 2023	 20,007,611	 2,971,854
 Common stock, shares, outstanding, ending	 <u>20,007,611</u>	 <u>2,971,854</u>
 Outstanding shares at March 31, 2024	 <u>20,048,581</u>	 <u>2,971,680</u>
 Common stock, outstanding shares, ending	 <u>20,048,581</u>	 <u>2,971,680</u>

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
 Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

7) Business Segment Information

Description of Products and Services by Segment

The Company has three reportable business segments: life insurance, cemetery and mortuary, and mortgage. The Company's life insurance segment consists of life insurance premiums and operating expenses from the sale of insurance products sold by the Company's independent agency force and net investment income derived from investing policyholder and segment surplus funds. The Company's cemetery and mortuary segment consists of revenues and operating expenses from the sale of at-need cemetery and mortuary merchandise and services at its mortuaries and cemeteries, pre-need sales of cemetery spaces after collection of 10% or more of the purchase price and the net investment income from investing segment surplus funds. The Company's mortgage segment consists of fee income and expenses from the originations of residential mortgage loans and interest earned and interest expenses from warehousing loans held for sale.

Measurement of Segment Profit or Loss and Segment Assets

The accounting policies of the reportable segments are the same as those described in the Significant Accounting Principles of the Form 10-K for the year ended December 31, 2022 December 31, 2023. Intersegment revenues are recorded at cost plus an agreed upon intercompany profit, and are eliminated upon consolidation.

Factors Management Used to Identify the Enterprise's Reportable Segments

The Company's reportable segments are business units that are managed separately due to the different products provided and the need to report separately to the various regulatory jurisdictions. The Company regularly reviews the quantitative thresholds and other criteria to determine when other business segments may need to be reported.

	<u>Life Insurance</u>	<u>Cemetery/ Mortuary</u>	<u>Mortgage</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
For the Three Months Ended					
<u>March 31, 2024</u>					
Revenues from external customers	\$ 49,970,635	\$ 8,787,578	\$ 22,429,985	\$ -	\$ 81,188,198
Intersegment revenues	1,379,575	84,768	146,606	(1,610,949)	-
Segment profit (loss) before income taxes	8,529,509	3,053,421	(1,963,619)	-	9,619,311
Identifiable Assets	<u>\$ 1,341,500,414</u>	<u>\$ 99,346,510</u>	<u>\$ 94,563,032</u>	<u>\$ (94,161,443)</u>	<u>\$ 1,441,248,513</u>
Goodwill	2,765,570	2,488,213	-	-	5,253,783
Total Assets	<u>\$ 1,344,265,984</u>	<u>\$ 101,834,723</u>	<u>\$ 94,563,032</u>	<u>\$ (94,161,443)</u>	<u>\$ 1,446,502,296</u>
For the Three Months Ended					
<u>March 31, 2023</u>					
Revenues from external customers	\$ 45,415,297	\$ 7,198,396	\$ 26,887,041	\$ -	\$ 79,500,734
Intersegment revenues	1,510,028	83,836	123,699	(1,717,563)	-
Segment profit (loss) before income taxes	3,683,735	1,784,592	(3,883,439)	-	1,584,888
Identifiable Assets	<u>\$ 1,308,954,075</u>	<u>\$ 87,354,333</u>	<u>\$ 152,745,312</u>	<u>\$ (111,225,073)</u>	<u>\$ 1,437,828,647</u>
Goodwill	2,765,570	2,488,213	-	-	5,253,783
Total Assets	<u>\$ 1,311,719,645</u>	<u>\$ 89,842,546</u>	<u>\$ 152,745,312</u>	<u>\$ (111,225,073)</u>	<u>\$ 1,443,082,430</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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 September 30, 2023 March 31, 2024 (Unaudited)

7)8 Business Segment Information (Continued)

	<u>Life Insurance</u>	<u>Cemetery/ Mortuary</u>	<u>Mortgage</u>	<u>Intercompany Eliminations</u>	<u>Consolidated</u>
For the Three Months Ended September 30, 2023					
Revenues from external customers	\$ 47,199,169	\$ 7,416,423	\$ 25,626,135	\$ -	\$ 80,241,727
Intersegment revenues	2,330,292	85,699	133,639	(2,549,630)	-
Segment profit (loss) before income taxes	7,175,181	1,469,592	(3,486,083)	-	5,158,690
For the Nine Months Ended September 30, 2023					
Revenues from external customers	\$ 140,685,555	\$ 23,427,327	\$ 79,475,738	\$ -	\$ 243,588,620
Intersegment revenues	6,357,810	254,302	393,145	(7,005,257)	-
Segment profit (loss) before income taxes	20,017,102	6,082,343	(11,206,534)	-	14,892,911
Identifiable Assets	\$ 1,299,027,212	\$ 92,299,022	\$ 107,800,781	\$ (90,608,563)	\$ 1,408,518,452
Goodwill	2,765,570	2,488,213	-	-	5,253,783
Total Assets	\$ 1,301,792,782	\$ 94,787,235	\$ 107,800,781	\$ (90,608,563)	\$ 1,413,772,235
For the Three Months Ended September 30, 2022					
Revenues from external customers	\$ 43,118,076	\$ 6,691,998	\$ 33,667,146	\$ -	\$ 83,477,220
Intersegment revenues	1,723,812	91,699	101,019	(1,916,530)	-
Segment profit (loss) before income taxes	4,233,619	901,084	(8,437,047)	-	(3,302,344)
For the Nine Months Ended September 30, 2022					
Revenues from external customers	\$ 125,786,154	\$ 21,446,210	\$ 134,237,417	\$ -	\$ 281,469,781
Intersegment revenues	5,495,578	359,439	253,554	(6,108,571)	-
Segment profit (loss) before income taxes	8,981,888	4,407,339	(7,518,209)	-	5,871,018
Identifiable Assets	\$ 1,222,265,692	\$ 80,402,663	\$ 239,915,479	\$ (87,763,750)	\$ 1,454,820,084
Goodwill	2,765,570	2,488,213	-	-	5,253,783
Total Assets	\$ 1,225,031,262	\$ 82,890,876	\$ 239,915,479	\$ (87,763,750)	\$ 1,460,073,867

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

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September 30, 2023 (Unaudited)

8) Fair Value of Financial Instruments

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. GAAP also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. Fair value measurements are classified under the following hierarchy:

Level 1: Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Financial assets and financial liabilities whose values are based on the following:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in non-active markets; or
- c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs may reflect the Company's estimates of the assumptions that market participants would use in valuing financial assets and financial liabilities.

The Company utilizes a combination of third-party valuation service providers, brokers, and internal valuation models to determine fair value.

The following methods and assumptions were used by the Company in estimating the fair value disclosures related to significant financial instruments.

The items shown under Level 1 and Level 2 are valued as follows:

Fixed Maturity Securities Available for Sale: The fair values of fixed maturity securities are based on quoted market prices, when available. For fixed maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements (considered Level 3 financial assets), are estimated by discounting expected future cash flows using a current market value applicable to the coupon rate, credit and maturity of the investments.

Equity Securities: The fair values for equity securities are based on quoted market prices.

Restricted Assets: A portion of these assets include mutual funds and equity securities and fixed maturity securities that have quoted market prices that are used to determine fair value. Also included are cash and cash equivalents and participations in mortgage loans. The carrying amounts reported in the accompanying condensed consolidated balance sheets for these financial instruments approximate their fair values due to their short-term nature.

Cemetery Perpetual Care Trust Investments: A portion of these assets include equity securities and fixed maturity securities that have quoted market prices that are used to determine fair value. Also included are cash and cash equivalents. The carrying amounts reported in the accompanying condensed consolidated balance sheets for these financial instruments approximate their fair values due to their short-term nature.

Call and Put Option Derivatives: The fair values for call and put options are based on quoted market prices.

Additionally, there were no transfers between Level 1 and Level 2 in the fair value hierarchy.

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Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

8) Fair Value of Financial Instruments (Continued)

The items shown under Level 3 are valued as follows:

Loans Held for Sale: The Company **has** elected the fair value option for loans held for sale. The fair value is based on quoted market prices, when available. When a quoted market price is not readily available, the Company uses the market price from its last sale of similar assets. Fair value is often difficult to determine in volatile markets and may contain significant unobservable inputs.

Loan Commitments and Forward Sale Commitments: The Company's mortgage segment enters loan commitments with potential borrowers and forward sale commitments to sell loans with third-party investors. The Company also uses a hedging strategy for these transactions. A loan commitment binds the Company to lend funds to a qualified borrower at a specified interest rate and within a specified period, generally up to 30 days after issuance of the loan commitment. Loan commitments are defined to be derivatives under GAAP and are recognized at fair value on the consolidated balance sheets with changes in their fair values recorded in current earnings.

The Company estimates the fair value of a loan commitment based on the change in estimated fair value of the underlying mortgage loan, quoted MBS prices, estimates of the fair value of mortgage servicing rights, and an estimate of the probability that the mortgage loan will fund within the terms of the commitment. The change in fair value of the underlying mortgage loan is measured from the date the loan commitment is issued. Following issuance, the value of a mortgage loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans. Fallout rates and other factors from the Company's recent historical data are used to estimate the quantity and value of mortgage loans that will be funded within the terms of the commitments.

Impaired Mortgage Loans Held for Investment: The Company believes that the fair value of these nonperforming loans will approximate the unpaid principal balance expected to be recovered based on the fair value of the underlying collateral. For residential and commercial properties, the collateral value is estimated by obtaining an independent appraisal. The appraisal typically considers comparable sales in the area, property condition, and potential rental income that could be generated (particularly for commercial properties). For residential construction loans, the collateral is typically incomplete, so fair value is estimated as the replacement cost using data from a provider of building cost information to the real estate construction.

Impaired Real Estate Held for Investment: The Company believes that in an orderly market, fair value will approximate the replacement cost of a home and the rental income provides a cash flow stream for investment analysis. The Company believes the highest and best use of the properties are as income producing assets since it is the Company's intent to hold the properties as rental properties, matching the income from the investment in rental properties with the funds required for future estimated policy claims.

It should be noted that for replacement cost, when determining the fair value of real estate held for investment, the Company uses a provider of building cost information to the real estate construction industry. For the investment analysis, the Company uses market data based upon its real estate operation experience and projected the present value of the net rental income over seven years. The Company also considers area comparable properties and property condition when determining fair value.

In addition to this analysis performed by the Company, the Company depreciates Real Estate Held for Investment. This depreciation reduces the book value of these properties and lessens the exposure to the Company from further deterioration in real estate values.

Mortgage Servicing Rights: The Company initially recognizes Mortgage Servicing Rights ("MSRs") at their estimated fair values derived from the net cash flows associated with the servicing contracts, where the Company assumes the obligation to service the loan in the sale transaction.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

8) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the condensed consolidated balance sheet as of **September 30, 2023** **March 31, 2024**:

	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total						Total				
Assets accounted for at fair value on a recurring basis											
Fixed maturity securities available for sale	\$ 356,448,259	\$ -	\$ 355,216,072	\$ 1,232,187		\$ 375,833,407	\$ -	\$ 374,601,220	\$ 1,232,187		
Equity securities	12,309,544	12,309,544	-	-		15,161,999	15,161,999	-	-		
Loans held for sale	152,546,566	-	-	152,546,566		112,678,958	-	-	112,678,958		
Restricted assets (1)	1,534,526	-	1,534,526	-		1,804,614	-	1,804,614	-		
Restricted assets (2)	6,312,610	6,312,610	-	-		8,278,612	8,278,612	-	-		
Cemetery perpetual care trust investments (1)	367,392	-	367,392	-		640,779	-	640,779	-		
Cemetery perpetual care trust investments (2)	3,855,805	3,855,805	-	-		4,576,289	4,576,289	-	-		
Derivatives - loan commitments (3)	4,817,703	-	-	4,817,703		5,454,295	-	-	5,454,295		
Total assets accounted for at fair value on a recurring basis	\$ 538,192,405	\$ 22,477,959	\$ 357,117,990	\$ 158,596,456		\$ 524,428,953	\$ 28,016,900	\$ 377,046,613	\$ 119,365,440		
Liabilities accounted for at fair value on a recurring basis											
Derivatives - loan commitments (4)	(3,088,542)	-	-	(3,088,542)		(3,309,255)	-	-	(3,309,255)		
Total liabilities accounted for at fair value on a recurring basis	\$ (3,088,542)	\$ -	\$ -	\$ (3,088,542)		\$ (3,309,255)	\$ -	\$ -	\$ (3,309,255)		

(1) Fixed maturity securities available for sale

(2) Equity securities

(3) Included in other assets on the consolidated balance sheets

(4) Included in other liabilities and accrued expenses on the consolidated balance sheets

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2024 (Unaudited)

8) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the condensed consolidated balance sheet as of December 31, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturity securities available for sale	\$ 381,535,986	\$ -	\$ 380,297,330	\$ 1,238,656
Equity securities	13,636,071	13,636,071	-	-
Loans held for sale	126,549,190	-	-	126,549,190
Restricted assets (1)	1,853,860	-	1,853,860	-
Restricted assets (2)	7,385,203	7,385,203	-	-
Cemetery perpetual care trust investments (1)	641,704	-	641,704	-
Cemetery perpetual care trust investments (2)	4,327,301	4,327,301	-	-
Derivatives - loan commitments (3)	4,995,486	-	-	4,995,486
Total assets accounted for at fair value on a recurring basis	<u>\$ 540,924,801</u>	<u>\$ 25,348,575</u>	<u>\$ 382,792,894</u>	<u>\$ 132,783,332</u>
Liabilities accounted for at fair value on a recurring basis				
Derivatives - loan commitments (4)	\$ (3,412,224)	\$ -	\$ -	\$ (3,412,224)
Total liabilities accounted for at fair value on a recurring basis	<u>\$ (3,412,224)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,412,224)</u>

(1) Fixed maturity securities available for sale

(2) Equity securities

(3) Included in other assets on the consolidated balance sheets

(4) Included in other liabilities and accrued expenses on the consolidated balance sheets

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8) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the condensed consolidated balance sheet as of December 31, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturity securities available for sale	\$ 345,858,492	\$ -	\$ 344,422,973	\$ 1,435,519
Equity securities	11,682,526	11,682,526	-	-
Loans held for sale	141,179,620	-	-	141,179,620
Restricted assets (1)	1,217,308	-	1,217,308	-
Restricted assets (2)	5,348,244	5,348,244	-	-
Cemetery perpetual care trust investments (1)	254,731	-	254,731	-
Cemetery perpetual care trust investments (2)	3,605,162	3,605,162	-	-
Derivatives - loan commitments (3)	4,089,856	-	-	4,089,856
Total assets accounted for at fair value on a recurring basis	<u>\$ 513,235,939</u>	<u>\$ 20,635,932</u>	<u>\$ 345,895,012</u>	<u>\$ 146,704,995</u>
Liabilities accounted for at fair value on a recurring basis				
Derivatives - call options (4)	\$ (29,715)	\$ (29,715)	\$ -	\$ -
Derivatives - put options (4)	(13,888)	(13,888)	-	-
Derivatives - loan commitments (4)	(1,382,979)	-	-	(1,382,979)
Total liabilities accounted for at fair value on a recurring basis	<u>\$ (1,426,582)</u>	<u>\$ (43,603)</u>	<u>\$ -</u>	<u>\$ (1,382,979)</u>

(1) Fixed maturity securities available for sale

(2) Equity securities

(3) Included in other assets on the consolidated balance sheets

(4) Included in other liabilities and accrued expenses on the consolidated balance sheets

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

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September 30, 2023 (Unaudited)

8) Fair Value of Financial Instruments (Continued)

For Level 3 assets and liabilities measured at fair value on a recurring basis as of **September 30, 2023** **March 31, 2024**, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at September 30, 2023	Valuation Technique	Significant Unobservable Input(s)			Range of Inputs			Fair Value at March 31, 2024	Valuation Technique	Significant Unobservable Input(s)			Range of Inputs						
			Investor contract pricing as a percentage of unpaid principal balance	70.0 %	107.0 %	99.0 %	70.0 %	107.0 %			Investor contract pricing as a percentage of unpaid principal balance	70.0 %	107.0 %	99.0 %	70.0 %	107.0 %	99.0 %			
			Market approach	70.0 %	107.0 %	99.0 %	70.0 %	107.0 %			Market approach	70.0 %	107.0 %	99.0 %	70.0 %	107.0 %	99.0 %			
Loans held for sale	\$ 152,546,566	Market approach	Initial-Value Servicing	N/A 0 bps	N/A 138 bps	N/A 61 bps	Initial-Value Servicing	N/A 0 bps	\$ 112,678,958	Market approach	Initial-Value Servicing	N/A 0 bps	Initial-Value Servicing	N/A 0 bps	Initial-Value Servicing	N/A 0 bps	Initial-Value Servicing	N/A 0 bps		
Derivatives - loan commitments (net)	1,729,161	Market approach	Pull-through rate	70.0 %	95.0 %	88.0 %	70.0 %	95.0 %	2,145,040	Market approach	Pull-through rate	65.0 %	70.0 %	95.0 %	88.0 %	70.0 %	95.0 %	88.0 %		
Fixed maturity securities available for sale	1,232,187	Broker quotes	Pricing quotes	\$ 98.40	\$ 100.00	\$ 99.32	\$ 98.40	\$ 100.00	1,232,187	Broker quotes	Pricing quotes	\$ 98.40	\$ 100.00	\$ 99.32	\$ 98.40	\$ 100.00	\$ 99.32	\$ 98.40	\$ 100.00	\$ 99.32

For Level 3 assets and liabilities measured at fair value on a recurring basis as of **December 31, 2022** **December 31, 2023**, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at December 31, 2022	Valuation Technique	Significant Unobservable Input(s)			Range of Inputs			Fair Value at December 31, 2023	Valuation Technique	Significant Unobservable Input(s)			Range of Inputs			
			Investor contract pricing as a percentage of unpaid principal balance	69.9 %	106.1 %	99.8 %	69.9 %	106.1 %			Investor contract pricing as a percentage of unpaid principal balance	70.0 %	106.1 %	99.8 %	70.0 %	106.1 %	99.8 %
			Market approach	69.9 %	106.1 %	99.8 %	69.9 %	106.1 %			Market approach	70.0 %	106.1 %	99.8 %	70.0 %	106.1 %	99.8 %
Loans held for sale	\$ 141,179,620	Market approach	Pull-through rate	65.0 %	95.0 %	82.2 %	65.0 %	95.0 %	1,583,262	Market approach	Pull-through rate	70.0 %	95.0 %	82.2 %	70.0 %	95.0 %	82.2 %
Derivatives - loan commitments (net)	2,706,877	Market approach	Initial-Value Servicing	N/A 0 bps	N/A 153 bps	N/A 73 bps	N/A 0 bps	N/A 153 bps	1,583,262	Market approach	Initial-Value Servicing	N/A 0 bps	N/A 153 bps	N/A 73 bps	N/A 0 bps	N/A 153 bps	N/A 73 bps
Fixed maturity securities available for sale	1,435,519	Broker quotes	Pricing quotes	\$ 100.00	\$ 111.11	\$ 104.97	\$ 100.00	\$ 111.11	1,238,656	Broker quotes	Pricing quotes	\$ 98.40	\$ 100.00	\$ 99.32	\$ 98.40	\$ 100.00	\$ 99.32

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 September 30, 2023 March 31, 2024 (Unaudited)

8) Fair Value of Financial Instruments (Continued)

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the **nine** **three** month period ended **September 30, 2023** **March 31, 2024**:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2022	\$ 2,706,877	\$ 141,179,620	\$ 1,435,519
Originations and purchases	-	1,708,831,185	-
Sales, maturities and paydowns	-	(1,726,023,095)	(129,521)
Transfer to mortgage loans held for investment	-	(3,017,626)	-
Total gains (losses):)		
Included in earnings	(977,716)(1)	31,576,482(1)	(109)(2)
Included in other comprehensive income	-	-	(73,702)
Balance - September 30, 2023	<u>\$ 1,729,161</u>	<u>\$ 152,546,566</u>	<u>\$ 1,232,187</u>

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2023	\$ 1,583,262	\$ 126,549,190	\$ 1,238,656
Originations and purchases	-	465,605,114	-
Sales, maturities and paydowns	-	(486,050,938)	-
Transfer to mortgage loans held for investment	-	(1,867,552)	-
Foreclosed into real estate held for sale	-	(858,977)	-
Total gains (losses):)		
Included in earnings	561,778(1)	9,302,121(1)	(2)
Included in other comprehensive income	-	-	(6,469)
Balance - March 31, 2024	<u>\$ 2,145,040</u>	<u>\$ 112,678,958</u>	<u>\$ 1,232,187</u>

(1) As a component of Mortgage fee income on the condensed consolidated statements of earnings

(2) As a component of Net investment income on the condensed consolidated statements of earnings

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the three month period ended March 31, 2023:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2022	\$ 2,706,877	\$ 141,179,620	\$ 1,435,519
Originations and purchases	-	531,867,796	-
Sales, maturities and paydowns	-	(511,909,942)	-
Total gains (losses):)		
Included in earnings	677,952(1)	11,877,930(1)	(2)
Included in other comprehensive income	-	-	-
Balance - March 31, 2023	<u>\$ 3,384,829</u>	<u>\$ 173,015,404</u>	<u>\$ 1,435,519</u>

(1) As a component of Mortgage fee income on the condensed consolidated statements of earnings

(2) As a component of Net investment income on the condensed consolidated statements of earnings

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the nine month period ended September 30, 2022:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2021	\$ 7,015,515	\$ 302,776,827	\$ 2,023,348
Originations and purchases	-	2,837,349,328	-
Sales, maturities and paydowns	-	(2,987,906,269)	(368,980)
Transfer to mortgage loans held for investment	-	(49,428,757)	-
Total gains (losses):)		
Included in earnings	(2,843,155)(1)	59,190,794(1)	1,957(2)
Included in other comprehensive income	-	-	(31,127)
Balance - September 30, 2022	<u>\$ 4,172,360</u>	<u>\$ 161,981,923</u>	<u>\$ 1,625,198</u>

(1) As a component of Mortgage fee income on the condensed consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 (Unaudited)

8) Fair Value of Financial Instruments (Continued)

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the three month period ended September 30, 2023:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - June 30, 2023	\$ 3,233,447	\$ 161,310,060	\$ 1,431,874
Originations and purchases	-	569,095,944	-
Sales, maturities and paydowns	-	(585,545,472)	(129,521)
Transfer to mortgage loans held for investment	-	(1,867,552)	
Total gains (losses):)	(1,504,286(1))	9,553,586(1)
Included in earnings	-	-	(109)(2)
Included in other comprehensive income	-	-	(70,057)
Balance - September 30, 2023	<u>\$ 1,729,161</u>	<u>\$ 152,546,566</u>	<u>\$ 1,232,187</u>

(1) As a component of Mortgage fee income on the condensed consolidated statements of earnings

(2) As a component of Net investment income on the condensed consolidated statements of earnings

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the three month period ended September 30, 2022:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - June 30, 2022	\$ 7,443,642	\$ 209,860,409	\$ 1,962,789
Originations and purchases	-	787,389,868	-
Sales, maturities and paydowns	-	(800,430,402)	(344,630)
Transfer to mortgage loans held for investment	-	(49,428,757)	-
Total gains (losses):)	(3,271,282(1))	14,590,805(1)
Included in earnings	-	-	-(2)
Included in other comprehensive income	-	-	7,039
Balance - September 30, 2022	<u>\$ 4,172,360</u>	<u>\$ 161,981,923</u>	<u>\$ 1,625,198</u>

(1) As a component of Mortgage fee income on the condensed consolidated statements of earnings

(2) As a component of Net investment income on the condensed consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2023 (Unaudited)

8) Fair Value of Financial Instruments (Continued)

The Company did not have any financial assets and financial liabilities measured at fair value on a nonrecurring basis as of September 30, 2023.

The following table summarizes Level 1, 2 March 31, 2024 and 3 financial assets and financial liabilities measured at fair value on a nonrecurring basis by their classification in the condensed consolidated balance sheet as of December 31, 2022; December 31, 2023.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Impaired mortgage loans held for investment	\$ 471,786	\$ -	\$ -	\$ 471,786
Total assets accounted for at fair value on a nonrecurring basis	<u>\$ 471,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,786</u>

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8) Fair Value of Financial Instruments (Continued)

Fair Value of Financial Instruments Carried at Other Than Fair Value

ASC 825, Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value.

Management The Company uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of September 30, 2023 March 31, 2024:

	Carrying Value	Level 1		Level 2		Level 3	Total Estimated Fair Value	Carrying Value	Level 1		Level 2		Level 3	Total Estimated Fair Value
		—	—	—	—				—	—	—	—		
Assets														
Mortgage loans held for investment														
Residential	\$ 93,753,399	\$ -	\$ -	\$ 91,471,266	\$ 91,471,266			\$ 103,574,492	\$ -	\$ -	\$ 100,743,889	\$ 100,743,889		
Residential construction	100,738,702	-	-	100,740,713	100,740,713			99,150,788	-	-	99,150,788	99,150,788		
Commercial	54,814,997	-	-	53,928,941	53,928,941			65,911,504	-	-	65,471,144	65,471,144		
Mortgage loans held for investment, net	\$ 249,307,098	\$ -	\$ -	\$ 246,140,920	\$ 246,140,920			\$ 268,636,784	\$ -	\$ -	\$ 265,365,821	\$ 265,365,821		
Policy loans	13,154,845	-	-	13,154,845	13,154,845			13,248,999	-	-	13,248,999	13,248,999		
Insurance assignments, net (1)	41,068,740	-	-	41,068,740	41,068,740			45,123,053	-	-	45,123,053	45,123,053		
Restricted assets (2)	1,113,970	-	-	1,113,970	1,113,970			183,574	-	-	183,574	183,574		
Cemetery perpetual care trust investments (2)	1,962,587	-	-	1,962,587	1,962,587			123,353	-	-	123,353	123,353		
Mortgage servicing rights, net	3,494,723	-	-	5,012,375	5,012,375			3,318,155	-	-	4,767,315	4,767,315		
Liabilities														
Bank and other loans payable	\$ (108,431,028)	\$ -	\$ -	\$ (108,431,028)	\$ (108,431,028)			\$ (104,335,116)	\$ -	\$ -	\$ (85,370,689)	\$ (85,370,689)		
Policyholder account balances (3)	(39,988,385)	-	-	(41,141,921)	(41,141,921)			(38,923,981)	-	-	(46,252,703)	(46,252,703)		
Future policy benefits - annuities (3)	(106,278,388)	-	-	(123,165,600)	(123,165,600)			(106,089,620)	-	-	(100,231,984)	(100,231,984)		

(1) Included in other investments and policy loans on the condensed consolidated balance sheets

(2) Mortgage loans held for investment

(3) Included in future policy benefits and unpaid claims on the condensed consolidated balance sheets

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8) Fair Value of Financial Instruments (Continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of **December 31, 2022** **December 31, 2023**:

	Carrying Value	Level 1			Level 2			Level 3			Total Estimated Fair Value			Carrying Value	Level 1			Level 2			Level 3			Total Estimated Fair Value		
		—	—	—	—	—	—	—	—	—	—	—	—		—	—	—	—	—	—	—	—	—	—	—	
Assets																										
Mortgage loans held for investment																										
Residential	\$ 90,290,776	\$	-	\$	-	\$	88,575,293	\$	88,575,293		\$ 99,519,750	\$	-	\$	-	\$	96,998,106	\$	96,998,106							
Residential construction	172,139,077		-		-		172,139,077		172,139,077		103,529,896		-		-		103,529,896		103,529,896							
Commercial	45,694,074		-		-		44,079,537		44,079,537		72,567,191		-		-		72,149,530		72,149,530							
Mortgage loans held for investment, net	\$ 308,123,927	\$	-	\$	-	\$	304,793,907	\$	304,793,907		\$ 275,616,837	\$	-	\$	-	\$	272,677,532	\$	272,677,532							
Policy loans	13,095,473		-		-		13,095,473		13,095,473		13,264,183		-		-		13,264,183		13,264,183							
Insurance assignments, net (1)	45,332,585		-		-		45,332,585		45,332,585		44,051,486		-		-		44,051,486		44,051,486							
Restricted assets (2)	1,731,469		-		-		1,731,469		1,731,469		675,219		-		-		675,219		675,219							
Cemetery perpetual care trust investments (2)	1,506,517		-		-		1,506,517		1,506,517		246,865		-		-		246,865		246,865							
Mortgage servicing rights, net	3,039,765		-		-		3,927,877		3,927,877		3,461,146		-		-		4,543,657		4,543,657							
Liabilities																										
Bank and other loans payable	\$ (161,712,804)	\$	-	\$	-	\$	(161,712,804)	\$	(161,712,804)		\$ (105,555,137)	\$	-	\$	-	\$	(105,555,137)	\$	(105,555,137)							
Policyholder account balances (3)	(41,146,171)		-		-		(42,181,089)		(42,181,089)		(39,245,123)		-		-		(48,920,691)		(48,920,691)							
Future policy benefits - annuities (3)	(106,637,094)		-		-		(126,078,031)		(126,078,031)		(106,285,010)		-		-		(102,177,585)		(102,177,585)							

(1) Included in other investments and policy loans on the consolidated balance sheets

(2) Mortgage loans held for investment

(3) Included in future policy benefits and unpaid claims on the consolidated balance sheets

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of these financial instruments are summarized as follows:

Mortgage Loans Held for Investment: The estimated fair value of the Company's mortgage loans held for investment is determined using various methods. The Company's mortgage loans are grouped into three categories: Residential, Residential Construction and Commercial. When estimating the expected future cash flows, it is assumed that all loans will be held to maturity, and any loans that are non-performing are evaluated individually for impairment.

Residential – The estimated fair value is determined through a combination of discounted cash flows (estimating expected future cash flows of payments and discounting them using current interest rates from single-family mortgages) and considering pricing of similar loans that were sold recently.

Residential Construction – These loans are primarily short in maturity. Accordingly, the estimated fair value is determined to be the carrying value.

Commercial – The estimated fair value is determined by estimating expected future cash flows of payments and discounting them using current interest rates for commercial mortgages.

Policy Loans: The carrying amounts reported in the accompanying condensed consolidated balance sheet for these financial instruments approximate their fair values because they are fully collateralized by the cash surrender value of the underlying insurance policies.

Insurance Assignments, Net: These investments are primarily short in maturity, accordingly, the carrying amounts reported in the accompanying condensed consolidated balance sheet for these financial instruments approximate their fair values.

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8) Fair Value of Financial Instruments (Continued)

Bank and Other Loans Payable: The carrying amounts reported in the accompanying condensed consolidated balance sheet for these financial instruments warehouse lines of credit approximate their fair values due to their relatively short-term maturities and variable interest rates. The estimated fair value for bank loans collateralized by real estate is determined by estimating future cash flows of payments and discounting them using current market rates.

Policyholder Account Balances and Future Policy Benefits-Annuities: Future policy benefit reserves for interest-sensitive insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period of more than related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 1.5% to 6.5%. The fair values for these investment-type insurance contracts are estimated based on the present value of liability cash flows. The fair values for the Company's insurance contracts other than investment-type contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, such that the Company's exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under insurance contracts.

9) Derivative Instruments

Mortgage Banking Derivatives

Loan Commitments

The Company is exposed to price risk due to the potential impact of changes in interest rates on the values of loan commitments from the time a loan commitment is made to an applicant to the time the loan that would result from the exercise of that loan commitment is funded. Managing price risk is complicated by the fact that the ultimate percentage of loan commitments that will be exercised (i.e., the number of loans that will be funded) fluctuates. The probability that a loan will not be funded, or the loan application is denied or withdrawn within the terms of the commitment is driven by several factors, particularly the change, if any, in mortgage rates following the issuance of the loan commitment.

In general, the probability of funding increases if mortgage rates rise and decreases if mortgage rates fall. This is due primarily to the relative attractiveness of current mortgage rates compared to the applicant's committed rate. The probability that a loan will not be funded within the terms of the mortgage loan commitment also is influenced by the source of the applications (retail, broker or correspondent channels), proximity to rate lock expiration, purpose for the loan (purchase or refinance), product type and the application approval status. The Company has developed fallout estimates using historical data that consider all the variables, as well as renegotiations of rate and point commitments that tend to occur when mortgage rates fall. These fallout estimates are used to estimate the number of loans that the Company expects to be funded within the terms of the loan commitments and are updated periodically to reflect the most current data.

The Company estimates the fair value of a loan commitment based on the change in estimated fair value of the underlying mortgage loan, quoted mortgage-backed securities ("MBS") prices, estimates of the fair value of mortgage servicing rights, and an estimate of the probability that the mortgage loan will fund within the terms of the commitment net of estimated commission expense. The change in fair value of the underlying mortgage loan is measured from the date the loan commitment is issued and is shown net of related expenses. Following issuance, the value of a loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans. Fallout rates and other factors from the Company's recent historical data are used to estimate the quantity and value of mortgage loans that will be funded within the terms of the commitments.

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9) Derivative Instruments (Continued)

9) Derivative Instruments (Continued)
Forward Sale Commitments

The Company utilizes forward commitments to economically hedge the price risk associated with its outstanding mortgage loan commitments. A forward commitment protects the Company from losses on sales of the loans arising from exercise of the loan commitments. Management expects these types of commitments will experience changes in fair value opposite to changes in fair value of the loan commitments, thereby reducing earnings volatility related to the recognition in earnings of changes in the values of the commitments.

The net changes in fair value of loan commitments and forward sale commitments are shown in current earnings as a component of mortgage fee income on the consolidated statements of earnings. Mortgage banking derivatives are shown in other assets and other liabilities and accrued expenses on the condensed consolidated balance sheets.

Call and Put Options Derivatives

The Company discontinued its use of selling "out of the money" call options on its equity securities and the use of selling put options as a source of revenue in the first quarter of 2023. The net changes in the fair value of call and put options are shown in current earnings as a component of realized gains (losses) on investments and other assets. Call and put options are shown in other liabilities and accrued expenses on the condensed consolidated balance sheets.

The following table shows the fair value and notional amounts of derivative instruments:

	Balance Sheet Location	September 30, 2023			December 31, 2022		
		Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives not designated as hedging instruments:							
Loan commitments	Other assets and Other liabilities	\$ 268,292,962	\$ 4,817,703	\$ 3,088,542	\$ 453,371,808	\$ 4,089,859	\$ 1,382,979
Call options	Other liabilities	-	-	-	868,600	-	29,715
Put options	Other liabilities	-	-	-	654,500	-	13,888
Total		\$ 268,292,962	\$ 4,817,703	\$ 3,088,542	\$ 454,894,908	\$ 4,089,859	\$ 1,426,582
March 31, 2024							
Derivatives not designated as hedging instruments:							
Loan commitments	Other assets and Other liabilities	\$ 229,458,247	\$ 5,454,295	\$ 3,309,255	\$ 161,832,250	\$ 4,995,486	\$ 3,412,224
Total		\$ 229,458,247	\$ 5,454,295	\$ 3,309,255	\$ 161,832,250	\$ 4,995,486	\$ 3,412,224
December 31, 2023							

The table below presents the gains (losses) on derivatives. There were no gains or losses reclassified from accumulated other comprehensive income into income or gains or losses recognized in income on derivatives ineffective portion, or any amounts excluded from effective testing.

Derivative	Classification	Net Amount Gain (Loss)		Net Amount Gain (Loss)		Net Amount Gain		
		Three Months Ended September 30,		Nine Months Ended September 30,		Classification	Three Months Ended March 31,	
		2023	2022	2023	2022		2024	2023
Loan commitments	Mortgage fee income	\$ (1,504,286)	\$ (3,271,282)	\$ (977,716)	\$ (2,843,155)	Mortgage fee income	\$ 561,778	\$ 677,952
Call and put options	Gains on investments and other assets	\$ -	\$ 50,045	\$ 49,963	\$ 176,274			

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10) Reinsurance, Commitments and Contingencies

Reinsurance

The Company follows the procedure of reinsuring risks of more than a specified limit, which ranges from \$25,000 to \$100,000 on newly issued policies. The Company has also assumed various reinsurance agreements through acquisition of various life companies. The Company is ultimately liable for these reinsured amounts in the event such reinsurers are unable to pay their portion of the claims. The Company evaluates the financial condition of reinsurers and monitors the concentration of credit risk. The Company is also a reinsurer of insurance with other companies.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate. However, the Company believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate its potential losses on loans sold. See Note 4 to the condensed consolidated financial statements for additional information about the Company's loan loss reserve.

Debt Covenants for Mortgage Warehouse Lines of Credit

The Company, through its subsidiary SecurityNational Mortgage, has a line of credit with Wells Fargo Bank N.A. This agreement allows SecurityNational Mortgage to borrow up to \$100,000,000 for the sole purpose of funding mortgage loans (the "Wells Fargo Bank Warehouse Line of Credit"). charges interest at the 1-Month Secured Overnight Financing Rate ("SOFR") rate plus 2.1% and expired and was not renewed on October 31, 2023 and will not be renewed because of the lender exiting the marketplace. SecurityNational Mortgage is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, the ratio of indebtedness to adjusted tangible net worth, and the liquidity overhead coverage ratio, and a quarterly gross profit of at least \$1.00.

The Company, through its subsidiary SecurityNational Mortgage, has a line of credit with Texas Capital Bank N.A. This agreement allows SecurityNational Mortgage to borrow up to \$100,000,000 for the sole purpose of funding mortgage loans (the "Texas Capital Bank Warehouse Line of Credit"). The agreement charges interest at the 1-Month SOFR rate plus 2.0% and matures on November 30, 2024. The Company is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, and minimum combined pre-tax income (excluding any changes in the fair value of mortgage servicing rights) of at least \$1.00 on a rolling four-quarter basis.

The Company through its subsidiary SecurityNational Mortgage, has a line of credit with U.S Bank. This agreement allows SecurityNational Mortgage to borrow up to \$25,000,000 15,000,000 for the sole purpose of funding mortgage loans (the "U.S. Bank Warehouse Line of Credit" and, together with the Wells Fargo Bank Warehouse Line of Credit and the Texas Capital Bank Warehouse Line of Credit, the "Warehouse Lines of Credit"). The agreement charges interest at 2.10% plus the greater of (i) 0%, and (ii) the one-month forward-looking term rate based on SOFR and matures on December 1, 2023 May 26, 2024. The Company is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, and minimum combined pre-tax income (excluding any changes in the fair value of mortgage servicing rights) of at least \$1.00 on a rolling twelve months.

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September 30, 2023 (Unaudited)

10) Reinsurance, Commitments and Contingencies (Continued)

The agreements for the **Warehouse Lines** warehouse lines of **Credit** credit include cross default provisions where certain events of default under other of SecurityNational Mortgage's obligations constitute events of default under the **Warehouse Lines** warehouse lines of **Credit** credit. As of **September 30, 2023** March 31, 2024, the Company was not in compliance with the net income covenant of the **Warehouse Lines** warehouse lines of **Credit** credit and its operating cash flow covenant for its standby letter of credit with its primary bank. SecurityNational Mortgage has received or is in the process of receiving waivers under the **Warehouse Lines** warehouse lines of **Credit** credit from the warehouse banks. In the unlikely event the Company is required to repay the outstanding advances of approximately **\$10,200,000** 6,963,000 on the warehouse line of credit that has not provided a covenant waiver, the Company has sufficient cash and borrowing capacity on the warehouse lines of credit that have provided covenant waivers to fund its origination activities. The Company has performed an internal analysis of its funding capacities of both internal and external sources and has determined that there are sufficient funds to continue its business model. The Company continues to negotiate other warehouse lines of credit with other lenders.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

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March 31, 2024 (Unaudited)

10) Reinsurance, Commitments and Contingencies (Continued)

Debt Covenants for Revolving Lines of Credit and Bank Loans

The Company has debt covenants on its revolving lines of credit and is required to comply with minimum operating cash flow ratios and minimum net worth for each of its business segments. The Company also has debt covenants for one of its loans on real estate for a minimum consolidated operating cash flow ratio, minimum liquidity, and consolidated net worth. In addition to these financial debt covenants, the company is required to provide segment specific financial statements and building specific financial statements on all bank loans. As of March 31, 2024, the Company was in compliance with all these debt covenants.

Other Contingencies and Commitments

The Company has commitments to fund existing construction and land development loans pursuant to the various loan agreements. As of **September 30, 2023** **March 31, 2024**, the Company's commitments were approximately **\$157,247,000** **146,572,000** for these loans, of which **\$104,378,000** **100,056,000** had been funded. The Company advances funds in accordance with the loan agreements once the work has been completed and an independent inspection is made. The maximum loan commitment ranges between 50% and 80% of appraised value. The Company receives fees and interest for these loans and the interest rate is generally fixed at 5.25% to 8.50% per annum. Maturities range between six and eighteen months.

The Company belongs to a captive insurance group ("the captive group") for certain casualty insurance, worker compensation and general liability programs. The captive group maintains insurance reserves relative to these programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverage. When estimating the insurance liabilities and related reserves, the captive group considers several factors, which include historical claims experience, demographic factors, severity factors and valuations provided by independent third-party actuaries. If actual claims or adverse development of loss reserves occurs and exceed these estimates, additional reserves may be required from the Company and its members. The estimation process contains uncertainty since captive insurance management must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date.

The Company is a defendant in various other legal actions arising from the normal conduct of business. **Management** **The Company** believes that none of the actions, if adversely determined, will have a material effect on the Company's financial position or results of operations. Based on **management's** **the Company's** assessment and legal counsel's **representations** **analysis** concerning the likelihood of unfavorable outcomes, no amounts have been accrued for the above claims in the consolidated financial statements.

The Company is not a party to any other material legal proceedings outside the ordinary course of business or to any other legal proceedings, which, if adversely determined, would have a material adverse effect on its financial condition or results of operations.

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11) Mortgage Servicing Rights

The Company initially records its MSRs at fair value as discussed in Note 8.

After being initially recorded at fair value, MSRs backed by mortgage loans are accounted for using the amortization method. Amortization expense is included in other expenses on the consolidated statements of earnings. MSR amortization is determined by amortizing the MSR balance in proportion to, and over the period of the estimated future net servicing income of the underlying financial assets.

The Company periodically assesses MSRs for impairment. Impairment occurs when the current fair value of the MSR falls below the asset's carrying value (carrying value is the amortized cost reduced by any related valuation allowance). If MSRs are impaired, the impairment is recognized in current-period earnings and the carrying value of the MSRs is adjusted through a valuation allowance.

The Company periodically reviews the various loan strata to determine whether the value of the MSRs in each stratum is impaired and likely to recover. If the Company deems recovery of the value to be unlikely in the foreseeable future, a write-down of the cost of the MSRs for that stratum to its estimated recoverable value is charged to the valuation allowance.

The following table presents the MSR activity:

	As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
Amortized cost:				
Balance before valuation allowance at beginning of year	\$ 3,039,765	\$ 53,060,455	\$ 3,461,146	\$ 3,039,765
MSR additions resulting from loan sales (1)	907,546	10,243,922		
Amortization (2)	(452,588)	(9,078,706)		
MSR additions resulting from loan sales (1)			9,079	1,009,312
Amortization (2)			(152,070)	(587,931)
Sale of MSRs	-	(51,185,906)	-	-
Application of valuation allowance to write down MSRs with other than temporary impairment	-	-	-	-
Balance before valuation allowance at end of period	<u>\$ 3,494,723</u>	<u>\$ 3,039,765</u>	<u>\$ 3,318,155</u>	<u>\$ 3,461,146</u>
 Valuation allowance for impairment of MSRs:				
Balance at beginning of year	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-
Application of valuation allowance to write down MSRs with other than temporary impairment	-	-	-	-
Balance at end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Mortgage servicing rights, net	<u>\$ 3,494,723</u>	<u>\$ 3,039,765</u>	<u>\$ 3,318,155</u>	<u>\$ 3,461,146</u>
 Estimated fair value of MSRs at end of period	<u>\$ 5,012,375</u>	<u>\$ 3,927,877</u>	<u>\$ 4,767,315</u>	<u>\$ 4,543,657</u>

(1) Included in mortgage fee income on the condensed consolidated statements of earnings

(2) Included in other expenses on the condensed consolidated statements of earnings

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11) **Mortgage Servicing Rights** (11) Mortgage Servicing Rights (Continued)

The table below summarizes the Company's estimate of future amortization of its existing MSRs carried at amortized cost. This projection was developed using the Company's assumptions in its September 30, 2023 March 31, 2024 valuation of MSRs. The assumptions used in the following table are likely to change as market conditions, portfolio composition and borrower behavior change, causing both actual and projected amortization levels to change over time.

	Estimated MSR Amortization	Estimated MSR Amortization
2023	351,687	
2024	317,526	653,250
2025	293,311	520,903
2026	265,639	423,297
2027	240,113	338,297
2028		271,136
Thereafter	2,026,447	1,111,272
Total	\$ 3,494,723	\$ 3,318,155

The Company collected the following contractual servicing fee income and late fee income as reported in other revenues on the condensed consolidated statement of earnings.

	Three Months Ended September 30,		Nine Months Ended September 30,		2024		2023	
	2023		2022		2023		2022	
	2023	2022	2023	2022	2023	2022	2024	2023
	\$ 249,050	\$ 4,644,397	\$ 892,668	\$ 13,845,626	\$ 256,662	\$ 410,400	\$ 256,662	\$ 410,400
Contractual servicing fees	\$ 249,050	\$ 4,644,397	\$ 892,668	\$ 13,845,626	\$ 256,662	\$ 410,400	\$ 256,662	\$ 410,400
Late fees	21,037	107,219	84,358	288,854	23,208	49,313	23,208	49,313
Total	\$ 270,087	\$ 4,751,616	\$ 977,026	\$ 14,134,480	\$ 279,870	\$ 459,713	\$ 279,870	\$ 459,713

The following is a summary of the unpaid principal balances ("UPB") of the servicing portfolio.

	As of September 30, 2023		As of December 31, 2022	
	\$	411,911,166	\$	360,023,384
Servicing UPB				
Servicing UPB	\$	405,409,197	\$	414,147,436

The following key assumptions were used in determining MSR value:

	Prepayment Speeds	Average Life (Years)	Discount Rate
	2023	2022	2023
September 30, 2023	8.00	8.59	12.22
December 31, 2022	8.12	8.49	11.95
March 31, 2024			
March 31, 2024	9.00	8.12	12.07
December 31, 2023	9.70	7.79	11.85

On October 31, 2022, the Company sold certain of its MSRs. The MSRs related to mortgage loans previously originated by the Company in aggregate unpaid principal amount of approximately \$7.02 billion. As a result of the sale, the book value of the Company's MSRs decreased \$51,185,906 and generated a gain of \$34,051,938 included in mortgage fee income on the consolidated statements of earnings. Substantially all the consideration was received by the Company with the remainder subject to certain holdbacks during transfer of the MSRs. The Company completed the physical transfer of files prior to its deadline. The holdbacks have been received in 2023.

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12) Income Taxes

The Company's overall effective tax rate for the three month periods ended **September 30, 2023** **March 31, 2024** and **2022** **2023** was **21.7** **22.3%** and **28.7** **21.8%**, respectively, which resulted in a provision for income taxes of **\$1,117,397** **2,144,789** and **\$(949,159)** **344,716**, respectively, and for the nine month periods ended September 30, 2023 and 2022 was 21.9% and 24.2%, respectively, which resulted in a provision for income taxes of **\$3,258,740** and **\$1,421,036**, respectively respectively. The Company's effective tax rate is higher than the U.S. federal statutory rate of 21% due to, among other factors, state income taxes as offset by certain state income tax benefits, along with certain permanent tax adjustments such as meals and entertainment and stock-based compensation. The decrease increase in the effective tax rate when compared to the prior year was primarily due to a smaller increase in the valuation allowance Company's state income tax provision.

Interim income taxes are based on an estimated annualized effective tax rate applied to the respective quarterly periods, adjusted for discrete tax items in the period in which they occur. Although the Company believes its tax estimates are reasonable, the Company can make no assurance that the final tax outcome of these matters will not be different from that which it has reflected in its historical income tax provisions and accruals.

13) Revenues from Contracts with Customers

The Company reports revenues from contracts with customers pursuant to ASC No. 606, *Revenue from Contracts with Customers*.

Information about Performance Obligations and Contract Balances

The Company's cemetery and mortuary segment sells a variety of goods and services to customers in both at-need and pre-need situations. Due to the timing of the fulfillment of the obligation, revenue is deferred until that obligation is fulfilled.

The Company's three types of future obligations are as follows:

Pre-need Merchandise and Service Revenue: All pre-need merchandise and service revenue is deferred, and the funds are placed in trust until the need arises, the merchandise is received, or the service is performed. The trust is then relieved, and the revenue and commissions are recognized.

At-need Specialty Merchandise Revenue: At-need specialty merchandise revenue consists of customizable merchandise ordered from a manufacturer such as markers and bases. When specialty merchandise is ordered, it can take time to manufacture and deliver the product. Revenue is deferred until the at-need merchandise is received.

Deferred Pre-need Land Revenue: Deferred pre-need revenue and corresponding commissions are deferred until 10% of the funds are received from the customer through regular monthly payments. Deferred pre-need land revenue is not placed in trust.

Complete payment of the contract does not constitute fulfillment of the performance obligation. Goods or services are deferred until such a time the service is performed or merchandise is received. Pre-need contracts are required to be paid in full prior to a customer using a good or service from a pre-need contract. Goods and services from pre-need contracts can be transferred when paid in full from one owner to another. In such cases, the Company will act as an agent in transferring the requested goods and services. The transfer of goods and services does not fulfill an obligation and revenue remains deferred.

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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13) Revenues from Contracts with Customers (Continued)

The opening and closing balances of the Company's receivables, contract assets and contract liabilities are as follows:

	Contract Balances		
	Receivables (1)	Contract Asset	Contract Liability
Opening (January 1, 2023)	\$ 5,392,779	\$ -	\$ 16,226,836
Closing (September 30, 2023)	6,088,152	-	17,573,212
Increase/(decrease)	<u>695,373</u>	<u>-</u>	<u>1,346,376</u>
Contract Balances			
Opening (January 1, 2022)	\$ 5,298,636	\$ -	\$ 14,508,022
Closing (December 31, 2022)	5,392,779	-	16,226,836
Increase/(decrease)	<u>94,143</u>	<u>-</u>	<u>1,718,814</u>
Contract Balances			
Opening (January 1, 2024)	\$ 6,321,573	\$ -	\$ 18,237,246
Closing (March 31, 2024)	5,896,842	-	18,501,474
Increase/(decrease)	<u>(424,731)</u>	<u>-</u>	<u>264,228</u>
Contract Balances			
Opening (January 1, 2023)	\$ 5,392,779	\$ -	\$ 16,226,836
Closing (December 31, 2023)	6,321,573	-	18,237,246
Increase/(decrease)	<u>928,794</u>	<u>-</u>	<u>2,010,410</u>

(1) Included in Receivables, net on the condensed consolidated balance sheets

The amount of revenue recognized and included in the opening contract liability balance for the three month periods ended September 30, 2023 March 31, 2024 and 2022 2023 was \$1,279,750 1,506,114 and \$1,034,035, respectively, and for the nine month periods ended September 30, 2023 and 2022 was \$3,516,215 and \$3,624,463 1,119,898, respectively.

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the Company's performance and the customer's payment.

Disaggregation of Revenue

The following table disaggregates revenue for the Company's cemetery and mortuary contracts:

	Three Months Ended September 30,				Nine Months Ended September 30,		2024	2023
	2023		2022		2023	2022	2024	2023
	Major goods/service lines							
At-need	\$ 4,832,352	\$ 4,839,289	\$ 14,985,838	\$ 16,304,276	\$ 5,410,300	\$ 5,154,036		
Pre-need	2,401,679	1,631,074	5,888,336	4,622,311	1,538,191	1,317,393		
	<u>\$ 7,234,031</u>	<u>\$ 6,470,363</u>	<u>\$ 20,874,174</u>	<u>\$ 20,926,587</u>	<u>\$ 6,948,491</u>	<u>\$ 6,471,429</u>		
Timing of Revenue Recognition								
Goods transferred at a point in time	\$ 4,762,777	\$ 4,040,381	\$ 13,321,412	\$ 12,815,582	\$ 4,190,222	\$ 4,029,666		
Services transferred at a point in time	2,471,254	2,429,982	7,552,762	8,111,005	2,758,269	2,441,763		
	<u>\$ 7,234,031</u>	<u>\$ 6,470,363</u>	<u>\$ 20,874,174</u>	<u>\$ 20,926,587</u>	<u>\$ 6,948,491</u>	<u>\$ 6,471,429</u>		

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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13) Revenues from Contracts with Customers (Continued)
13) Revenues from Contracts with Customers (Continued)

The following table reconciles revenues from cemetery and mortuary contracts to Note 7 – Business Segment Information for the Cemetery/Mortuary Segment for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net mortuary and cemetery sales	\$ 7,234,031	\$ 6,470,363	\$ 20,874,174	\$ 20,926,587	\$ 6,948,491	\$ 6,471,429
Losses on investments and other assets	(452,120)	(640,593)	(200,610)	(1,615,253)		
Gains on investments and other assets					582,162	53,931
Net investment income	516,094	681,239	2,460,859	1,916,970	1,084,192	601,491
Other revenues	118,418	180,989	292,904	217,906	172,733	71,545
Revenues from external customers	<u>7,416,423</u>	<u>6,691,998</u>	<u>23,427,327</u>	<u>21,446,210</u>	<u>8,787,578</u>	<u>7,198,396</u>

14) Receivables

Receivables consist of the following:

	As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
	\$ 6,088,152	\$ 5,392,779	\$ 5,896,842	\$ 6,321,573
Contracts with customers				
Receivables from sales agents	2,527,586	2,209,185	3,579,468	3,252,840
Other	8,404,014	23,200,919	9,154,789	7,658,789
Total receivables	<u>17,019,752</u>	<u>30,802,883</u>	<u>18,631,099</u>	<u>17,233,202</u>
Allowance for doubtful accounts	(1,520,801)	(2,229,791)		
Allowance for credit losses			(1,755,553)	(1,897,887)
Net receivables	<u>\$ 15,498,951</u>	<u>\$ 28,573,092</u>	<u>\$ 16,875,546</u>	<u>\$ 15,335,315</u>

The Company records an allowance for credit losses for its receivables in accordance with GAAP. See Note 2 regarding the adoption of ASU 2016-13.

The following table presents a roll forward of the allowance for credit losses:

	Allowance	Three Months Ended
Beginning balance - January 1, 2023	\$ 2,229,791	
Beginning balance - January 1, 2024		\$ 1,897,887
Change in provision for credit losses (1)	(597,430)	(118,497)
Charge-offs	(111,560)	(23,837)
Ending balance - September 30, 2023	<u>\$ 1,520,801</u>	
Beginning balance - January 1, 2022	\$ 1,800,725	
Change in provision for credit losses (1)	799,888	
Charge-offs	(370,822)	
Ending balance - December 31, 2022	<u>\$ 2,229,791</u>	
Ending balance - March 31, 2024		\$ 1,755,553
Beginning balance - January 1, 2023	\$ 2,229,791	
Change in provision for credit losses (1)	(318,664)	
Charge-offs	(44,003)	
Ending balance - March 31, 2023	<u>\$ 1,867,124</u>	

(1) Included in other expenses on the condensed consolidated statements of earnings

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15) Cemetery Perpetual Care Trust Investments and Obligation and Restricted Assets

Cemetery Perpetual Care Trust Investments and Obligation

State law requires the Company to pay into endowment care trusts a portion of the proceeds from the sale of certain cemetery property interment rights for cemeteries that have established an endowment care trust. These endowment care trusts are defined as Variable Interest Entities pursuant to GAAP. The Company is the primary beneficiary of these trusts, as it absorbs both the losses and any expenses associated with the trusts. The Company has consolidated cemetery endowment care trust investments with a corresponding amount recorded as Cemetery Perpetual Care Obligation in the accompanying consolidated balance sheets.

The components of the cemetery perpetual care investments and obligation as of **September 30, 2023** **March 31, 2024**, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
September 30, 2023:										
March 31, 2024:										
Fixed maturity securities, available for sale, at estimated fair value:										
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 208,568	\$ 668	\$ (2,297)	\$ -	\$ 206,939	\$ 478,900	\$ 458	\$ (786)	\$ -	\$ 478,572
Obligations of states and political subdivisions	129,509	-	(9,169)	-	120,340	168,209	-	(6,002)	-	162,207
Corporate securities including public utilities	41,086	-	(973)	-	40,113					
Total fixed maturity securities available for sale	\$ 379,163	\$ 668	\$ (12,439)	\$ -	\$ 367,392	\$ 647,109	\$ 458	\$ (6,788)	\$ -	\$ 640,779
Equity securities at estimated fair value:										
Common stock:										
Industrial, miscellaneous and all other	\$ 3,507,720	\$ 624,037	\$ (275,952)	\$ 3,855,805	\$ 3,657,164	\$ 1,066,760	\$ (147,635)	\$ 4,576,289		
Total equity securities at estimated fair value	\$ 3,507,720	\$ 624,037	\$ (275,952)	\$ 3,855,805	\$ 3,657,164	\$ 1,066,760	\$ (147,635)	\$ 4,576,289		
Mortgage loans held for investment at amortized cost:										
Residential construction	\$ 1,966,520				\$ 123,600					
Less: Allowance for credit losses	(3,933)				(247)					
Total mortgage loans held for investment	\$ 1,962,587				\$ 123,353					

Real estate held for investment:	\$ 30,632	
Residential		
Accrued investment income		\$ 6,968
 Cash and cash equivalents	\$ 1,424,574	\$ 3,021,586
 Total cemetery perpetual care trust investments	\$ 7,640,990	\$ 8,368,975
 Cemetery perpetual care obligation	\$ (5,265,166)	\$ (5,384,115)
 Trust investments in excess of trust obligations	\$ 2,375,824	\$ 2,984,860

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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)
15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

The components of the cemetery perpetual care investments and obligation as of December 31, 2022 December 31, 2023, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2022:								
December 31, 2023:								
Fixed maturity securities, available for sale, at estimated fair value:								
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 89,004	\$ 42	\$ (38)	\$ 89,008	\$ 477,797	\$ 302	\$ (574)	\$ 477,525
Obligations of states and political subdivisions	174,201	-	(8,478)	165,723	115,792	-	(5,114)	110,678
Corporate securities including public utilities					53,672	-	(171)	53,501
Total fixed maturity securities available for sale	\$ 263,205	\$ 42	\$ (8,516)	\$ 254,731	\$ 647,261	\$ 302	\$ (5,859)	\$ 641,704
Equity securities at estimated fair value:								
Common stock:								
Industrial, miscellaneous and all other	\$ 3,195,942	\$ 584,383	\$ (175,163)	\$ 3,605,162	\$ 3,614,392	\$ 859,680	\$ (146,771)	\$ 4,327,301
Total equity securities at estimated fair value	\$ 3,195,942	\$ 584,383	\$ (175,163)	\$ 3,605,162	\$ 3,614,392	\$ 859,680	\$ (146,771)	\$ 4,327,301
Mortgage loans held for investment at amortized cost:								
Residential construction	\$ 1,506,517				\$ 247,360			
Real estate held for investment:								
Residential	\$ (16,178)							
Less: Allowance for credit losses					(495)			
Total mortgage loans held for investment					\$ 246,865			
Cash and cash equivalents	\$ 1,925,978				\$ 2,867,047			
Total cemetery perpetual care trust investments	\$ 7,276,210				\$ 8,082,917			
Cemetery perpetual care obligation	\$ (5,099,542)				\$ (5,326,196)			
Trust investments in excess of trust obligations	\$ 2,176,668				\$ 2,756,721			

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The unrealized losses were primarily related to interest rate fluctuations. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities:

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value
<u>September 30, 2023</u>												
<u>March 31, 2024</u>												
U.S. Treasury securities and obligations of U.S. Government agencies							\$ 786	\$ 143,234	\$ -	\$ -	\$ 786	\$ 143,234
Obligations of states and political subdivisions							-	-	6,002	162,207	6,002	162,207
Totals							<u>\$ 786</u>	<u>\$ 143,234</u>	<u>\$ 6,002</u>	<u>\$ 162,207</u>	<u>\$ 6,788</u>	<u>\$ 305,441</u>
<u>December 31, 2023</u>												
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 2,297	\$ 139,633	\$ -	\$ -	\$ 2,297	\$ 139,633	\$ 574	\$ 143,448	\$ -	\$ -	\$ 574	\$ 143,448
Obligations of states and political subdivisions	-	-	9,169	120,340	9,169	120,340	-	-	5,114	110,678	5,114	110,678
Corporate securities including public utilities	-	-	973	40,113	973	40,113	-	-	171	53,501	171	53,501
Total unrealized losses	<u>\$ 2,297</u>	<u>\$ 139,633</u>	<u>\$ 10,142</u>	<u>\$ 160,453</u>	<u>\$ 12,439</u>	<u>\$ 300,086</u>						
<u>December 31, 2022</u>												
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 38	\$ 59,392	\$ -	\$ -	\$ 38	\$ 59,392						
Obligations of states and political subdivisions	1,845	94,612	6,633	71,112	8,478	165,724						
Total unrealized losses	<u>\$ 1,883</u>	<u>\$ 154,004</u>	<u>\$ 6,633</u>	<u>\$ 71,112</u>	<u>\$ 8,516</u>	<u>\$ 225,116</u>						
Totals							<u>\$ 574</u>	<u>\$ 143,448</u>	<u>\$ 5,285</u>	<u>\$ 164,179</u>	<u>\$ 5,859</u>	<u>\$ 307,627</u>
							5855					

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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

Relevant holdings were comprised of four securities with fair values aggregating **96.0** **97.8**% of the aggregate amortized cost as of **September 30, 2023** **March 31, 2024**. Relevant holdings were comprised of **five** **four** securities with fair values aggregating **96.4** **98.1**% of aggregate amortized cost as of **December 31, 2022** **December 31, 2023**. No credit losses have been recognized for the three and nine month periods ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, since the increase in unrealized losses is primarily a result of the recent increases in interest and inflation rates. See Note 3 for additional information regarding the Company's evaluation of the allowance for credit losses for fixed maturity securities available for sale.

The table below presents the amortized cost and estimated fair value of fixed maturity securities available for sale as of **September 30, 2023** **March 31, 2024**, by contractual maturity. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized		Estimated Fair		Amortized Cost	Estimated Fair Value
	Cost	Value	Cost	Value		
Due in 1 year	\$ 29,573	\$ 30,000	\$ 334,878	\$ 335,336		
Due in 2-5 years	254,242	245,011	258,559	252,489		
Due in 5-10 years	41,086	40,113	-	-		
Due in more than 10 years	54,262	52,268	53,672	52,954		
Total	\$ 379,163	\$ 367,392	\$ 647,109	\$ 640,779		

Restricted Assets

The Company has also established certain restricted assets to provide for future merchandise and service obligations incurred in connection with its pre-need sales for its cemetery and mortuary segment.

Restricted cash also represents escrows held for borrowers and investors under servicing and appraisal agreements relating to mortgage loans, funds held by warehouse banks in accordance with loan purchase agreements and funds held in escrow for certain real estate construction development projects. Additionally, the Company elected to maintain its medical benefit fund without change from the prior year and has included this amount as a component of restricted cash. These restricted cash items are for the Company's life insurance and mortgage segments.

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September 30, 2023 March 31, 2024 (Unaudited)

15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)
15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

Restricted assets as of **September 30, 2023** **March 31, 2024**, are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
September 30, 2023:										
March 31, 2024:										
Fixed maturity securities, available for sale, at estimated fair value:										
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 389,641	\$ 924	\$ (4,002)	\$ -	\$ 386,563	\$ 932,737	\$ 5,273	\$ (1,370)	\$ -	\$ 936,640
Obligations of states and political subdivisions	771,564	201	(19,526)	-	752,239	555,848	12	(8,102)	-	547,758
Corporate securities including public utilities	405,171	-	(9,447)	-	395,724	324,253	18	(4,055)	-	320,216
Total fixed maturity securities available for sale	\$ 1,566,376	\$ 1,125	\$ (32,975)	\$ -	\$ 1,534,526	\$ 1,812,838	\$ 5,303	\$ (13,527)	\$ -	\$ 1,804,614
Equity securities at estimated fair value:										
Common stock:										
Industrial, miscellaneous and all other	\$ 6,011,816	\$ 739,197	\$ (438,403)	\$ 6,312,610	\$ 7,023,615	\$ 1,506,405	\$ (251,408)	\$ 8,278,612		
Total equity securities at estimated fair value	\$ 6,011,816	\$ 739,197	\$ (438,403)	\$ 6,312,610	\$ 7,023,615	\$ 1,506,405	\$ (251,408)	\$ 8,278,612		
Mortgage loans held for investment at amortized cost:										
Residential construction	\$ 1,116,202				\$ 183,942					
Less: Allowance for credit losses	(2,232)				(368)					
Total mortgage loans held for investment	\$ 1,113,970				\$ 183,574					
Accrued investment income					\$ 13,377					
Cash and cash equivalents (1)	\$ 10,946,379				\$ 10,598,384					
Total restricted assets	\$ 19,907,485				\$ 20,878,561					

(1) Including cash and cash equivalents of \$8,224,592 6,925,987 for the life insurance and mortgage segments.

Restricted assets as of December 31, 2022 December 31, 2023, are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2022:								
December 31, 2023:								
Fixed maturity securities, available for sale, at estimated fair value:								
U.S. Treasury securities and obligations of U.S. Government agencies					\$ 932,737	\$ 1,433	\$ (1,000)	\$ 933,170
Obligations of states and political subdivisions	\$ 1,033,047	\$ 866	\$ (15,360)	\$ 1,018,553	652,770	305	(4,542)	648,533
Corporate securities including public utilities	201,771	-	(3,016)	198,755	274,688	209	(2,740)	272,157
Total fixed maturity securities available for sale	\$ 1,234,818	\$ 866	\$ (18,376)	\$ 1,217,308	\$ 1,860,195	\$ 1,947	\$ (8,282)	\$ 1,853,860
Equity securities at estimated fair value:								
Common stock:								
Industrial, miscellaneous and all other	\$ 4,955,360	\$ 703,049	\$ (310,165)	\$ 5,348,244	\$ 6,516,044	\$ 1,117,155	\$ (247,996)	\$ 7,385,203
Total equity securities at estimated fair value	\$ 4,955,360	\$ 703,049	\$ (310,165)	\$ 5,348,244	\$ 6,516,044	\$ 1,117,155	\$ (247,996)	\$ 7,385,203
Mortgage loans held for investment at amortized cost:								
Residential construction	\$ 1,731,469				\$ 676,572			
Less: Allowance for credit losses					(1,353)			
Total mortgage loans held for investment					\$ 675,219			
Cash and cash equivalents (1)	\$ 10,638,034				\$ 10,114,694			
Total restricted assets	\$ 18,935,055				\$ 20,028,976			

(1) Including cash and cash equivalents of \$8,527,620 6,930,930 for the life insurance and mortgage segments.

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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. The unrealized losses were primarily related to interest rate fluctuations. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities.

	Unrealized Losses for Less than Twelve Months		Unrealized Losses for More than Twelve Months		Total Unrealized Loss		Fair Value
		Fair Value		Fair Value		Fair Value	
September 30, 2023							
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 4,002	\$ 243,232	\$ -	\$ -	\$ 4,002	\$ 243,232	
Obligations of states and political subdivisions	3,189	71,811	16,337	580,227	19,526	652,038	
Corporate securities including public utilities	1,016	101,649	8,431	294,075	9,447	395,724	
Total unrealized losses	\$ 8,207	\$ 416,692	\$ 24,768	\$ 874,302	\$ 32,975	\$ 1,290,994	
December 31, 2022							
Obligations of states and political subdivisions	\$ 11,891	\$ 760,255	\$ 3,469	\$ 58,072	\$ 15,360	\$ 818,327	
Corporate securities including public utilities	3,016	198,755	-	-	3,016	198,755	
Total unrealized losses	\$ 14,907	\$ 959,010	\$ 3,469	\$ 58,072	\$ 18,376	\$ 1,017,082	
March 31, 2024							
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 1,370	\$ 249,507	\$ -	\$ -	\$ 1,370	\$ 249,507	
Obligations of states and political subdivisions	4,206	335,100	3,896	187,645	8,102	522,745	
Corporate securities including public utilities	684	75,757	3,371	219,442	4,055	295,199	
Totals	\$ 6,260	\$ 660,364	\$ 7,267	\$ 407,087	\$ 13,527	\$ 1,067,451	
December 31, 2023							
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 1,000	\$ 249,877	\$ -	\$ -	\$ 1,000	\$ 249,877	
Obligations of states and political subdivisions	-	-	4,542	451,985	4,542	451,985	
Corporate securities including public utilities	-	-	2,740	221,334	2,740	221,334	
Totals	\$ 1,000	\$ 249,877	\$ 7,282	\$ 673,319	\$ 8,282	\$ 923,196	

Relevant holdings were comprised of **16** **15** securities with fair values aggregating **97.5** **98.7%** of the aggregate amortized cost as of **September 30, 2023** **March 31, 2024**. Relevant holdings were comprised of **17** **12** securities with fair values aggregating **98.2** **99.1%** of the aggregate amortized cost as of **December 31, 2022** **December 31, 2023**. No credit losses have been recognized for the three and nine month periods ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, since the increase in unrealized losses is primarily a result of the recent increase in interest and inflation rates. **interest**. See Note 3 for additional information regarding the Company's evaluation of the allowance for credit losses for fixed maturity securities available for sale.

The table below presents the amortized cost and estimated fair value of fixed maturity securities available for sale as of **September 30, 2023** **March 31, 2024**, by contractual maturity. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties: **penalties**.

	Amortized		Estimated Fair		Amortized Cost	Estimated Fair Value
	Cost	Value	Cost	Value		
Due in 1 year	\$ -	\$ -	\$ -	\$ -	\$ 681,860	\$ 687,133
Due in 2-5 years	702,873	692,458	461,092	455,800		
Due in 5-10 years	111,301	110,090	102,422	101,308		
Due in more than 10 years	752,202	731,978	567,464	560,373		
Total	\$ 1,566,376	\$ 1,534,526	\$ 1,812,838	\$ 1,804,614		

See Notes 3 and 8 for additional information regarding restricted assets and cemetery perpetual care trust investments.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024 (Unaudited)

16) Accumulated Other Comprehensive Income (loss)

The following table summarizes the changes in accumulated other comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Unrealized losses on fixed maturity securities available for sale	\$ (6,725,752)	\$ (13,527,157)	\$ (6,310,923)	\$ (42,014,068)
Amounts reclassified into net earnings (loss)	(79,850)	3,917	(269,827)	168,794
Net unrealized losses before taxes	(6,805,602)	(13,523,240)	(6,580,750)	(41,845,274)
Tax benefit	1,429,176	2,839,881	1,381,958	8,787,509
Net	(5,376,426)	(10,683,359)	(5,198,792)	(33,057,765)
Unrealized gains (losses) on restricted assets (1)	(12,284)	27,060	(14,340)	(88,058)
Tax benefit (expense)	3,060	(6,741)	3,572	21,935
Net	(9,224)	20,319	(10,768)	(66,123)
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	(2,487)	28,931	(3,299)	(24,294)
Tax benefit (expense)	610	(7,204)	838	6,054
Net	(1,877)	21,727	(2,461)	(18,240)
Other comprehensive loss changes	\$ (5,387,527)	\$ (10,641,313)	\$ (5,212,021)	\$ (33,142,128)
Three Months Ended March 31,				
	2024		2023	
Unrealized gains (losses) on fixed maturity securities available for sale	\$ (1,035,099)	\$ 5,436,929	\$ (96,551)	\$ (218,900)
Amounts reclassified into net earnings			(1,131,650)	5,218,029
Net unrealized gains (losses) before taxes			238,552	(1,095,787)
Tax (expense) benefit			(893,098)	4,122,242
Net			(1,890)	4,133
Unrealized gains (losses) on restricted assets (1)			471	(1,029)
Tax (expense) benefit			(1,419)	3,104
Net			(774)	2,926
Unrealized gains (losses) on cemetery perpetual care trust investments (1)			193	(714)
Tax (expense) benefit			(581)	2,212
Net			\$ (895,098)	\$ 4,127,558
Other comprehensive income (loss) changes				

(1) Fixed maturity securities available for sale

The following table presents the accumulated balances of other comprehensive income (loss) as of September 30, 2023 March 31, 2024:

	Beginning Balance December 31, 2022	Change for the period	Ending Balance September 30, 2023	Beginning Balance December 31, 2023	Change for the period	Ending Balance March 31, 2024
	\$ (13,050,767)	\$ (5,198,792)	\$ (18,249,559)	\$ (6,876,629)	\$ (893,098)	\$ (7,769,727)
Unrealized losses on fixed maturity securities available for sale						
Unrealized losses on restricted assets (1)		(13,148)	(10,768)	(23,916)	(4,757)	(1,419)
Unrealized losses on cemetery perpetual care trust investments (1)		(6,362)	(2,461)	(8,823)	(4,172)	(581)
Other comprehensive loss	\$ (13,070,277)	\$ (5,212,021)	\$ (18,282,298)	\$ (6,885,558)	\$ (895,098)	\$ (7,780,656)

(1) Fixed maturity securities available for sale

The following table presents the accumulated balances of other comprehensive income (loss) as of December 31, 2022 December 31, 2023:

	Beginning Balance December 31, 2021	Change for the period	Ending Balance December 31, 2022	Beginning Balance December 31, 2022	Change for the period	Ending Balance December 31, 2023
	\$ 18,021,265	\$ (31,072,032)	\$ (13,050,767)	\$ (13,050,767)	\$ 6,174,138	\$ (6,876,629)
Unrealized gains (losses) on fixed maturity securities available for sale						

Unrealized gains (losses) on restricted assets (1)	40,192	(53,340)	(13,148)	(13,148)	8,391	(4,757)
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	8,991	(15,353)	(6,362)	(6,362)	2,190	(4,172)
Other comprehensive income (loss)	<u>\$ 18,070,448</u>	<u>\$ (31,140,725)</u>	<u>\$ (13,070,277)</u>	<u>\$ (13,070,277)</u>	<u>\$ 6,184,719</u>	<u>\$ (6,885,558)</u>

(1) Fixed maturity securities available for sale

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The Company's operations over the last several years generally reflect three strategies which the Company expects to continue: (i) increased attention to "niche" insurance products, such as the Company's funeral plan policies and traditional whole life products; (ii) increased emphasis on the cemetery and mortuary business; and (iii) capitalizing on an improving housing market by originating mortgage loans.

Insurance Operations

The Company's life insurance business includes funeral plans and interest-sensitive life insurance, as well as other traditional life, accident and health insurance products. The Company places specific marketing emphasis on funeral plans through pre-need planning.

A funeral plan is a small face value life insurance policy that generally has face coverage of up to \$30,000. The Company believes that funeral plans represent a marketing niche that is less competitive because most insurance companies do not offer similar coverage. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of a person's death. On a per thousand-dollar cost of insurance basis, these policies can be more expensive to the policyholder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy administration to be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

The following table shows the condensed financial results of the insurance operations for the three and nine month periods ended **September 30, 2023**, **March 31, 2024** and **2022**. See Note 7 to the condensed consolidated financial statements.

	Three months ended September 30, (in thousands of dollars)			Nine months ended September 30, (in thousands of dollars)			Three months ended March 31, (in thousands of dollars)		
	2023	2022	% Increase (Decrease)	2023	2022	% Increase (Decrease)	2024	2023	% Increase (Decrease)
Revenues from external customers									
Insurance premiums	\$ 28,906	\$ 26,237	10%	\$ 85,687	\$ 78,491	9%	\$ 29,852	\$ 27,968	7%
Mortgage fee income	10	-	100%	76	-	100%	-	44	(100)%
Net investment income	18,434	17,562	5%	53,609	47,269	13%	18,612	16,755	11%
Losses on investments and other assets	(516)	(1,538)	(66)%	(1)	(1,697)	(100)%			
Gains on investments and other assets							1,088	57	1809%
Other	365	857	(57)%	1,314	1,723	(24)%	418	591	(29)%
Total	\$ 47,199	\$ 43,118	9%	\$ 140,685	\$ 125,786	12%	\$ 49,970	\$ 45,415	10%
Intersegment revenue	\$ 2,330	\$ 1,724	35%	\$ 6,358	\$ 5,496	16%	\$ 1,380	\$ 1,510	(9)%
Earnings before income taxes	\$ 7,175	\$ 4,234	69%	\$ 20,017	\$ 8,982	123%	\$ 8,530	\$ 3,684	132%

Intersegment revenues are primarily interest income from the warehouse lines of credit for loans held for sale provided to SecurityNational Mortgage Company ("SecurityNational Mortgage"). Profitability for the **nine** three month period ended **September 30, 2023** **March 31, 2024** increased due to (a) a **\$7,081,000** **\$1,884,000** increase in insurance premiums and other considerations, (b) a **\$6,340,000** **\$1,857,000** increase in net investment income, (c) a **\$2,049,000** decrease in selling, general and administrative expenses, (d) a **\$1,696,000** **\$1,031,000** increase in gains on investments and other assets, (d) a **\$882,000** decrease in death, surrenders and other policy benefits, (e) a **\$862,000** increase **\$481,000** decrease in intersegment revenue, selling, general and administrative expenses, (f) a **\$76,000** increase **\$254,000** decrease in **mortgage fee income**, amortization of deferred policy acquisition costs, and (g) a **\$119,000** decrease in interest expense, which were partially offset by (i) a **\$5,270,000** **\$1,291,000** increase in future policy benefits, (ii) a **\$827,000** increase in death, surrenders and other policy benefits, (iii) a **\$408,000** increase in interest expense, (iv) a **\$294,000** **\$173,000** decrease in other revenues, (v) a **\$130,000** decrease in intersegment revenue, (iv) a **\$44,000** decrease in **mortgage fee income**, and (v) a **\$158,000** **\$24,000** increase in intersegment interest expense and other expenses, and (vi) a **\$112,000** increase in amortization of deferred policy acquisition costs, expenses.

Cemetery and Mortuary Operations

The Company sells mortuary services and products through its nine mortuaries in Utah and three mortuaries in New Mexico. The Company also sells cemetery products and services through its five cemeteries in Utah, one cemetery in San Diego County, California, and one cemetery in Santa Fe, New Mexico. At-need product sales and services are recognized as revenue when the services are performed or when the products are delivered. Pre-need cemetery product sales are deferred until the merchandise is delivered and services performed. Recognition of revenue for cemetery land sales occurs when 10% of the purchase price is received.

The following table shows the condensed financial results of the cemetery and mortuary operations for the three and nine month periods ended September 30, 2023, March 31, 2024 and 2022, 2023. See Note 7 to the condensed consolidated financial statements.

	Three months ended September 30, (in thousands of dollars)			Nine months ended September 30, (in thousands of dollars)			Three months ended March 31, (in thousands of dollars)			
	2023		2022		% Increase (Decrease)	2023		2022		% Increase (Decrease)
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenues from external customers										
Mortuary revenues	\$ 2,910	\$ 3,027		(4)%	\$ 9,310	\$ 9,899	(6)%	\$ 3,414	\$ 3,275	4%
Cemetery revenues	4,324	3,443		26%	11,564	11,027	5%	3,534	3,196	11%
Net investment income	516	681		(24)%	2,461	1,917	28%	1,084	601	80%
Losses on investments and other assets	(453)	(640)		(29)%	(201)	(1,615)	(88)%			
Gains on investments and other assets								582	54	978%
Other	119	181		(34)%	293	218	34%	173	72	140%
Total	\$ 7,416	\$ 6,692		11%	\$ 23,427	\$ 21,446	9%	\$ 8,787	\$ 7,198	22%
Earnings before income taxes	\$ 1,470	\$ 901		63%	\$ 6,082	\$ 4,407	38%	\$ 3,053	\$ 1,785	71%

Profitability in the nine month period ended September 30, 2023 March 31, 2024 increased due to (a) a \$1,415,000 \$528,000 increase in gains on investments and other assets, (b) a \$1,266,000 \$483,000 increase in net investment income, (c) a \$221,000 increase in cemetery pre-need sales, (c) (d) a \$544,000 \$139,000 increase in net investment income, (d) mortuary at-need sales, (e) a \$75,000 \$117,000 increase in cemetery at-need sales, and (f) a \$101,000 increase in other revenues, (e) a \$33,000 (g) a \$5,000 decrease in intersegment interest expense and other expenses, (f) and (h) a \$14,000 decrease \$1,000 increase in cost of goods intersegment revenues, which were partially offset by (i) a \$124,000 increase in selling, general and services sold, and (g) an \$8,000 decrease administrative expenses, (ii) a \$114,000 increase in amortization of deferred policy acquisition costs, which were partially offset by (i) a \$729,000 decrease in cemetery at-need sales, (ii) a \$589,000 decrease in mortuary at-need sales, and (iii) a \$256,000 an \$88,000 increase in selling, general cost of goods and administrative expenses, and (iv) a \$105,000 decrease in intersegment revenues, services sold.

Mortgage Operations

The Company's wholly owned subsidiary, SecurityNational Mortgage, is a mortgage lender incorporated under the laws of the State of Utah and approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), which originate ~~mortgage~~ mortgages loans that qualify for government insurance in the event of default by the borrower, in addition to various conventional mortgage loan products. SecurityNational Mortgage originates and refinances mortgage loans on a retail basis. Mortgage loans originated or refinanced by the SecurityNational Mortgage are funded through loan purchase agreements with Security National Life, Kilpatrick Life and unaffiliated financial institutions.

SecurityNational Mortgage receives fees from borrowers that are involved in mortgage loan originations and refinancings, and secondary fees earned from third party investors that purchase the mortgage loans. Mortgage loans are generally sold with mortgage servicing rights ("MSRs") released to third-party investors or retained by SecurityNational Mortgage. SecurityNational Mortgage currently retains the mortgage servicing rights on approximately 5% 0.19% of its loan origination volume. These mortgage loans are serviced by either SecurityNational Mortgage or an approved third-party sub-servicer. On October 31, 2022, the Company sold certain of its MSRs. The MSRs related to mortgage loans previously originated by the Company in aggregate unpaid principal amount of approximately \$7.02 billion. As a result of the sale, the book value of the Company's MSRs decreased by \$51,185,906.

Mortgage rates have followed the US Treasury yields up in response to the higher than expected increase inflation and the expectation that the Federal Reserve will continue to raise rates in the near term. As expected, the rapid increase in mortgage rates has resulted in a decrease in loan originations classified as 'refinance.' Higher mortgage rates have also had a negative effect on loan originations classified as 'purchases,' although not as significant as those in the refinance classification.

For the **nine** **three** month periods ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, SecurityNational Mortgage originated **5,680** **1,486** loans (**\$1,708,831,000** **465,605,000** total volume) and **8,886** **1,702** loans (**\$2,837,349,000** **531,868,000** total volume), respectively.

The following table shows the condensed financial results of the mortgage operations for the three and nine month periods ended September 30, 2023, March 31, 2024 and 2022. See Note 7 to the condensed consolidated financial statements.

	Three months ended September 30, (in thousands of dollars)			Nine months ended September 30, (in thousands of dollars)			Three months ended March 31, (in thousands of dollars)		
	2023	2022	% Increase (Decrease)	2023	2022	% Increase (Decrease)	2024	2023	% Increase (Decrease)
	_____	_____	_____	_____	_____	_____	_____	_____	_____
Revenues from external customers									
Secondary gains from investors	\$ 17,615	\$ 28,825	(39)%	\$ 54,809	\$ 103,220	(47)%	\$ 14,731	\$ 17,917	(18)%
Income from loan originations	8,924	7,069	26%	23,812	26,463	(10)%	6,840	6,555	4%
Change in fair value of loans held for sale	(1,504)	(4,131)	64%	(978)	(7,973)	88%	(301)	795	(138)%
Change in fair value of loan commitments	(109)	(3,271)	97%	(716)	(2,843)	75%	562	678	(17)%
Net investment income	298	360	(17)%	1,125	583	93%	250	418	(40)%
Gains on investments and other assets	36	-	100%	197	391	(50)%			
Losses on investments and other assets							(1)	-	(100)%
Other	366	4,815	(92)%	1,226	14,396	(91)%	349	524	(33)%
Total	\$ 25,626	\$ 33,667	(24)%	\$ 79,475	\$ 134,237	(41)%	\$ 22,430	\$ 26,887	(17)%
Earnings (loss) before income taxes	\$ (3,486)	\$ (8,437)	(59)%	\$ (11,207)	\$ (7,518)	(49)%			
Loss before income taxes							\$ (1,964)	\$ (3,883)	(49)%

Included in other revenues is service fee income. Profitability for the nine three month period ended September 30, 2023 decreased March 31, 2024 increased due to (a) a \$48,411,000 \$2,755,000 decrease in secondary gains from investors, personnel expenses, (b) a \$13,170,000 \$1,303,000 decrease in other revenues, expenses, (c) a \$2,651,000 \$896,000 decrease in commissions, (d) a \$393,000 decrease in costs related to funding mortgage loans, (e) a \$382,000 decrease in rent and rent related expenses, (f) a \$307,000 decrease in interest expense, (g) a \$285,000 increase in income from loan originations, (d) (h) a \$72,000 increase \$176,000 decrease in advertising expenses, (i) a \$125,000 decrease in intersegment interest expense and other expenses, (e) (j) a \$226,000 \$23,000 increase in rent intersegment revenues, and rent related expenses, and (f) (k) a \$194,000 \$17,000 decrease in gains depreciation on investments property and other assets, equipment, which were partially offset by (i) a \$22,475,000 \$3,186,000 decrease in commissions, secondary gains from investors, (ii) a \$14,426,000 \$1,096,000 decrease in personnel expenses, (iii) a \$10,985,000 decrease in other expenses, (iv) a \$7,257,000 increase in the fair value of loans held for sale, (vii) a \$175,000 decrease in other revenues, (iv) a \$168,000 decrease in net investment income, and (v) a \$2,152,000 \$116,000 decrease in interest expense, (vi) a \$1,865,000 increase in the fair value of loan commitments, (vii) a \$1,009,000 decrease in costs related to funding mortgage loans, (viii) an \$867,000 decrease in advertising expenses, (ix) a \$542,000 increase in net investment income, (x) a \$140,000 increase in intersegment revenues, and (xi) an \$18,000 decrease in depreciation on property and equipment, commitments.

Consolidated Results of Operations

Three month period ended September 30, 2023 March 31, 2024, Compared to Three month period ended September 30, 2022 March 31, 2023

Total revenues decreased increased by \$3,235,000 \$1,687,000, or 3.9% 2.1% to \$80,242,000 \$81,188,000 for the three month period ended September 30, 2023 March 31, 2024, from \$83,477,000 \$79,501,000 for the comparable period in 2022, 2023. Contributing to this decrease increase in total revenues was a \$4,888,000 decrease \$2,172,000 increase in other revenues and net investment income, a \$3,672,000 decrease in mortgage fee income, which were partially offset by a \$2,669,000 \$1,885,000 increase in insurance premiums and other considerations, a \$1,247,000 \$1,558,000 increase in gains on investments and other assets, and a \$764,000 \$477,000 increase in net mortuary and cemetery sales, which were partially offset by a \$247,000 decrease in other revenues and a \$645,000 increase \$4,157,000 decrease in net investment mortgage fee income.

Mortgage fee income decreased by \$3,672,000, \$4,157,000, or 12.8% 16.0%, to \$24,936,000 \$21,832,000, for the three month period ended September 30, 2023 March 31, 2024, from \$28,608,000 \$25,989,000 for the comparable period in 2022, 2023. This decrease was primarily due to a \$11,316,000 \$3,230,000 decrease in secondary gains from mortgage loans sold to third-party investors into the secondary market due to the decline in origination activity because of increasing interest rates, which was partially offset by a \$4,023,000 increase \$1,096,000 decrease in the fair value of loans held for sale, and a \$1,854,000 \$116,000 decrease in the fair value of loan commitments, which was partially offset by a \$285,000 increase in loan fees and interest income net of an increase a decrease in the provision for loan loss reserve and a \$1,767,000 increase in the fair value of loan commitments, reserve.

Insurance premiums and other considerations increased by \$2,669,000 \$1,885,000, or 10.2% 6.7%, to \$28,907,000 \$29,852,000 for the three month period ended September 30, 2023 March 31, 2024, from \$26,238,000 \$27,967,000 for the comparable period in 2022, 2023. This increase was primarily due to an increase of \$2,737,000 \$1,645,000 in first year premiums which was partially offset by a decrease and an increase of \$68,000 \$240,000 in renewal premiums.

Net investment income increased by **\$645,000**, **\$2,172,000**, or **3.5% 12.2%**, to **\$19,248,000** **\$19,947,000** for the three month period ended **September 30, 2023** **March 31, 2024**, from **\$18,603,000** **\$17,775,000** for the comparable period in **2022**, **2023**. This increase was primarily attributable to a **\$1,054,000 increase in fixed maturity securities income**, a **\$568,000** **\$903,000 increase in interest on cash and cash equivalents**, **\$391,000 increase in fixed maturity securities income**, a **\$125,000 decrease** **\$326,000 increase in investment expenses, mortgage loan interest**, a **\$122,000** **\$308,000 increase in insurance assignment income**, a **\$32,000** **\$150,000 increase in real estate income**, a **\$101,000 increase in policy loan interest**, a **\$70,000 increase in other investment income**, and a **\$28,000 increase in equity securities income**, which were partially offset by a **\$635,000 decrease** **\$105,000 increase in mortgage loan interest**, a **\$627,000 decrease in real estate income**, and a **\$22,000 decrease in policy loan interest**, **investment expenses**.

Net mortuary and cemetery sales increased by **\$764,000**, **\$477,000**, or **11.8% 7.4%**, to **\$7,234,000** **\$6,948,000** for the three month period ended **September 30, 2023** **March 31, 2024**, from **\$6,470,000** **\$6,471,000** for the comparable period in **2022**, **2023**. This increase was primarily due to a **\$771,000** **\$221,000 increase in cemetery pre-need sales**, a **\$139,000 increase in mortuary at-need sales**, and a **\$110,000** **\$117,000 increase in cemetery at-need sales**, which were partially offset by a **\$117,000 decrease in mortuary at-need sales**.

Losses Gains on investments and other assets **decreased increased** by **\$1,247,000**, **\$1,558,000**, or **57.2% 1401.9%**, to **\$932,000** **\$1,669,000** for the three month period ended **September 30, 2023** **March 31, 2024**, from **\$2,179,000** **\$111,000** for the comparable period in **2022**, **2023**. This **decrease increase** in **losses** gains on investments and other assets was primarily due to a **\$764,000 increase in gains on real estate**, a **\$518,000** **\$1,203,000 increase in gains on equity securities** mostly attributable to increases in the fair value of these equity securities, a **\$250,000 increase in gains on real estate**, and a **\$25,000** **\$122,000 increase in gains on fixed maturity securities**, which were partially offset by a **\$60,000** **\$17,000 decrease in gains on other assets** mostly attributable to the Company discontinuing its use of call and put option derivatives in the first quarter of 2023.

Other revenues decreased by **\$4,888,000**, **\$247,000**, or **85.2% 20.8%**, to **\$849,000** **\$940,000** for the three month period ended **September 30, 2023** **March 31, 2024**, from **\$5,737,000** **\$1,187,000** for the comparable period in **2022**, **2023**. This decrease was primarily attributable to a decrease of **\$180,000** in servicing fee revenue **because due to a decrease in the retention of the sale of certain mortgage servicing rights in October 2022**, **rights**.

Total benefits and expenses were **\$75,083,000**, **\$71,569,000**, or **93.6% 88.2%** of total revenues, for the three month period ended **September 30, 2023** **March 31, 2024**, as compared to **\$86,780,000**, **\$77,916,000**, or **104.0% 98.0%** of total revenues, for the comparable period in **2022**, **2023**.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of **\$2,898,000** **\$409,000** or **12.8% 1.6%**, to **\$25,622,000** **\$26,275,000** for the three month period ended **September 30, 2023** **March 31, 2024**, from **\$22,724,000** **\$25,866,000** for the comparable period in **2022**, **2023**. This increase was primarily the result of a **\$2,087,000** **\$1,291,000 increase in future policy benefits** a **\$681,000 increase in death benefits**, and a **\$130,000** **an \$83,000 increase in surrender and other policy benefits**, which were partially offset by a **\$965,000 decrease in death benefits**.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired decreased by **\$581,000**, **\$140,000**, or **11.5% 2.9%**, to **\$4,481,000** **\$4,744,000** for the three month period ended **September 30, 2023** **March 31, 2024**, from **\$5,062,000** **\$4,884,000** for the comparable period in **2022**, **2023**. This decrease was primarily due to increased payment consistency from premium-paying products.

Selling, general and administrative expenses decreased by **\$13,005,000**, **\$6,279,000**, or **23.4% 14.1%**, to **\$42,652,000** **\$38,248,000** for the three month period ended **September 30, 2023** **March 31, 2024**, from **\$55,657,000** **\$44,527,000** for the comparable period in **2022**, **2023**. This decrease was primarily the result of a **\$4,537,000 decrease in commissions**, a **\$4,158,000** **\$2,107,000 decrease in personnel expenses**, a **\$4,053,000** **\$1,692,000 decrease in commissions**, a **\$1,495,000 decrease in other expenses**, a **\$378,000** **\$393,000 decrease in advertising expense, costs related to funding mortgage loans**, a **\$46,000 decrease in depreciation on property and equipment**, and a **\$23,000** **\$376,000 decrease in rent and rent related expenses**, which were partially offset by and a **\$192,000 increase** **\$216,000 decrease in costs related to funding mortgage loans, advertising expense**.

Interest expense decreased by **\$985,000**, **\$426,000**, or **46.1% 29.3%**, to **\$1,152,000** **\$1,027,000** for the three month period ended **September 30, 2023** **March 31, 2024**, from **\$2,137,000** **\$1,453,000** for the comparable period in **2022**, **2023**. This decrease was primarily due to a decrease of **\$975,000** **\$307,000** in interest expense on mortgage warehouse lines of credit for loans held for sale and a decrease of **\$10,000** **\$119,000** in interest expense on bank loans.

Nine month period ended September 30, 2023, Compared to Nine month period ended September 30, 2022

Total revenues decreased by \$37,881,000, or 13.5%, to \$243,589,000 for the nine month period ended September 30, 2023, from \$281,470,000 for the comparable period in 2022. Contributing to this decrease in total revenues was a \$41,979,000 decrease in mortgage fee income, a \$13,389,000 decrease in other revenues, and a \$52,000 decrease in net mortuary and cemetery sales, which were partially offset by a \$7,427,000 increase in net investment income, a \$7,196,000 increase in insurance premiums and other considerations, and a \$2,916,000 increase in gains on investments and other assets.

Mortgage fee income decreased by \$41,979,000, or 35.3%, to \$77,004,000, for the nine month period ended September 30, 2023, from \$118,983,000 for the comparable period in 2022. This decrease was primarily due to a \$48,451,000 decrease in secondary gains from mortgage loans sold to third-party investors into the secondary market due to the decline in origination activity because of increasing interest rates and a \$2,650,000 decrease in loan fees and interest income net of an increase in the provision for loan loss reserve, which were partially offset by a \$7,257,000 increase in the fair value of loans held for sale and a \$1,865,000 increase in the fair value of loan commitments.

Insurance premiums and other considerations increased by \$7,196,000, or 9.2%, to \$85,687,000 for the nine month period ended September 30, 2023, from \$78,491,000 for the comparable period in 2022. This increase was primarily due to an increase of \$6,755,000 in first year premiums and an increase of \$441,000 in renewal premiums.

Net investment income increased by \$7,427,000, or 14.9%, to \$57,195,000 for the nine month period ended September 30, 2023, from \$49,769,000 for the comparable period in 2022. This increase was primarily attributable to a \$3,762,000 increase in fixed maturity securities income, a \$1,953,000 increase in interest on cash and cash equivalents, a \$1,008,000 decrease in investment expenses, a \$583,000 increase in real estate income, a \$205,000 increase in income from other investments, a \$116,000 increase in mortgage loan interest, and a \$66,000 increase in equity securities income, which were partially offset by a \$138,000 decrease in insurance assignment income and a \$128,000 decrease in policy loan income.

Net mortuary and cemetery sales decreased by \$52,000, or 0.3%, to \$20,874,000 for the nine month period ended September 30, 2023, from \$20,926,000 for the comparable period in 2022. This decrease was primarily due to a \$729,000 decrease in cemetery at-need sales and a \$589,000 decrease in mortuary at-need sales, which were partially offset by a \$1,266,000 increase in cemetery pre-need sales.

Losses on investments and other assets decreased by \$2,916,000, or 99.8%, to \$5,000 for the nine month period ended September 30, 2023, from \$2,921,000 for the comparable period in 2022. This decrease in losses on investments and other assets was primarily due to a \$4,011,000 decrease in losses on equity securities mostly attributable to increases in the fair value of these equity securities, which were partially offset by a \$439,000 increase in losses on fixed maturity securities, a \$292,000 decrease in gains on other invested assets, a \$238,000 decrease in gains on real estate, and a \$126,000 decrease in gains on call and put option derivatives due to the Company discontinuing its use of call and put option derivatives in the first quarter of 2023.

Other revenues decreased by \$13,389,000, or 82.5%, to \$2,832,000 for the nine month period ended September 30, 2023, from \$16,221,000 for the comparable period in 2022. This decrease was primarily attributable to a decrease in servicing fee revenue because of the sale of certain mortgage servicing rights in October 2022.

Total benefits and expenses were \$228,696,000, or 93.9% of total revenues, for the nine month period ended September 30, 2023, as compared to \$275,599,000, or 97.9% of total revenues, for the comparable period in 2022.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of \$6,098,000 or 8.7%, to \$76,394,000 for the nine month period ended September 30, 2023, from \$70,296,000 for the comparable period in 2022. This increase was primarily the result of a \$5,270,000 increase in future policy benefits and a \$1,092,000 increase in death benefits, which were partially offset by a \$264,000 decrease in surrender and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by \$104,000, or 0.8%, to \$13,615,000 for the nine month period ended September 30, 2023, from \$13,511,000 for the comparable period in 2022. This increase was primarily due to an increase in the average outstanding balance of deferred policy and pre-need acquisition costs. Selling, general and administrative expenses decreased by \$51,346,000, or 28.2%, to \$131,052,000 for the nine month period ended September 30, 2023, from \$182,398,000 for the comparable period in 2022. This decrease was primarily the result of a \$22,426,000 decrease in commissions, a \$14,067,000 decrease in personnel expenses, a \$12,136,000 decrease in other expenses, a \$1,817,000 decrease in advertising expense, a \$1,009,000 decrease in costs related to funding mortgage loans, and a \$114,000 decrease in depreciation on property and equipment, which were partially offset by a \$223,000 increase in rent and rent related expenses.

Interest expense decreased by \$1,744,000, or 30.3%, to \$4,020,000 for the nine month period ended September 30, 2023, from \$5,764,000 for the comparable period in 2022. This decrease was primarily due to a decrease of \$2,152,000 in interest expense on mortgage warehouse lines of credit for loans held for sale, which was partially offset by an increase of \$408,000 in interest expense on bank loans.

Liquidity and Capital Resources

The Company's life insurance subsidiaries and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the sale or maturity of investments. The mortgage subsidiaries realize cash flow from fees generated by originating and refinancing mortgage loans and fees from mortgage loans held for sale that are sold to investors into the secondary market. It should be noted that current conditions in the financial markets and economy may affect the realization of these expected cash flows. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses related to the issuance of new policies, the maintenance of existing policies, debt service, and to meet current operating expenses. As of **September 30, 2023** **March 31, 2024**, the Company's subsidiary SecurityNational Mortgage was not in compliance with the net income covenants under its Warehouse Lines of Credit and has received or is in the process of receiving waivers from the warehouse banks. In the unlikely event SecurityNational Mortgage is required to repay the outstanding advances of approximately **\$10,200,000** **\$6,963,000** on the Warehouse Line of Credit that has not provided a covenant waiver, SecurityNational Mortgage has sufficient cash and borrowing capacity on the Warehouse Lines of Credit that have provided covenant waivers to fund its origination activities. The Company has done an internal analysis of the funding capacities of both internal and external sources and has determined that there are sufficient funds to continue its business model. The Company continues to negotiate other warehouse lines of credit with other lenders.

During the **nine** **three** month periods ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company's operations provided cash of **\$18,384,000** **approximately \$25,077,000** and **\$109,318,000**, used cash of approximately **\$16,074,000**, respectively. The **decrease** increase in cash provided by operations was due primarily to **decreased** **increased** proceeds from the sale of mortgage loans held for sale.

The Company expects to pay out liabilities under its funeral plans over the long term given the nature of those plans. Funeral plans are small face value life insurance policies that payout upon a person's death to cover funeral burial costs; policyholders generally keep these policies in force until, and do not surrender prior to, death. Because of the long-term nature of these liabilities, the Company can hold to maturity or for the targeted investment period its corresponding bond, real estate, and mortgage loan investments, thus reducing the risk of liquidating these long-term investments because of any sudden changes in their fair values.

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held to maturity in the portfolio to help in this timing matching. The Company purchases short-term investments on a temporary basis to meet the expected short-term requirements of the Company's insurance products. The Company's investment philosophy is intended to provide a rate of return for the expected duration of its cemetery and mortuary policies that will exceed the accruing of liabilities under those policies regardless of future interest rate movements.

The Company's investment policy is also to invest predominantly in fixed maturity securities, real estate, mortgage loans, and warehousing of mortgage loans. The warehoused mortgage loans are typically held for sale on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the Company's life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to **\$341,252,000** **\$360,314,000** (at estimated fair value) and **\$345,598,000** **\$362,663,000** (at estimated fair value) as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. This represented 38.5% and **36.4%** **38.7%** of the total investments of the Company as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. As of **September 30, 2023** **March 31, 2024**, 1.9% (or **\$6,307,000** **\$7,042,000**) and as of **December 31, 2022** **December 31, 2023**, **2.2%** **1.8%** (or **\$7,833,000** **\$6,954,000**) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non-investment grade.

The Company's life insurance subsidiaries are subject to risk-based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the life insurance subsidiaries were in compliance with the regulatory criteria.

The Company's total capitalization of stockholders' equity, bank and other loans payable was **\$406,325,000** **\$424,439,000** as of **September 30, 2023** **March 31, 2024**, as compared to **\$454,499,000** **\$418,450,000** as of **December 31, 2022** **December 31, 2023**. This **decrease** **increase** was primarily due to an increase of **\$7,209,000** in stockholders' equity as partially offset by a decrease of **\$53,281,000** **\$1,220,000** in bank loans and other loans payable, which was partially offset by a **\$5,107,000** increase in stockholders' equity payable. Stockholders' equity as a percent of total capitalization was **73.3%** **75.4%** and **64.4%** **74.8%** as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in **2022** **2023** was **4.3%** **4.4%** as compared to a lapse rate of **4.8%** **4.3%** for **2021** **2022**. The **2023** **2024** lapse rate to date has been approximately the same as **2022**, **2023**.

The combined statutory capital and surplus of the Company's life insurance subsidiaries was **\$103,984,000** **\$110,239,000** and **\$94,254,000** **\$107,385,000** as of **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**, respectively. The life insurance subsidiaries cannot pay a dividend to their parent company without the approval of state insurance regulatory authorities.

Banking Environment

On March 10, 2023 and March 12, 2023, Silicon Valley Bank and Signature Bank were placed in receivership with the Federal Deposit Insurance Corporation (FDIC). Normal banking activities resumed shortly thereafter. On May 1, 2023, First Republic Bank was placed in receivership with the FDIC and was immediately purchased by a national bank. The Company does not maintain any deposit or other accounts or credit facilities with Silicon Valley Bank, Signature Bank or First Republic Bank. The Company may periodically transfer funds to these banks to pay for services rendered by third party vendors that continue to maintain banking relationships with these banks. The Company continues to monitor the banking industry and its relationships with regional and community banks.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, the Company is not required to provide information typically disclosed under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of **September 30, 2023** **March 31, 2024**, the Company carried out an evaluation under the supervision and with the participation of its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the Securities and Exchange Commission (SEC) reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms and that such information is accumulated and communicated to management, including the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The executive officers have concluded that the Company's disclosure controls and procedures were effective as of **September 30, 2023** **March 31, 2024**, and that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company's financial condition, results of operations, and cash flows for the periods presented in conformity with United States Generally Accepted Accounting Principles (GAAP).

Changes in Internal Control over Financial Reporting

There have not been any significant changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings.

The Company is not a party to any material legal proceedings outside the ordinary course of business or to any other legal proceedings, which if adversely determined, would be expected to have a material adverse effect on its financial condition or results of operation.

Item 1A. Risk Factors.

As a smaller reporting company, the Company is not required to provide information typically disclosed under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Recent Sales of Unregistered Securities and Use of Proceeds from Registered Securities**

None.

Issuer Purchases of Equity Securities

On December 27, 2022, April 15, 2024 the Company executed a 10b5-1 agreement with a broker to repurchase shares of the Company's Class A Common Stock. Under the terms of the agreement, the broker is permitted to repurchase up to 1,000,000 shares \$1,000,000 of the Company's Class A Common Stock Stock, with purchases to commence no sooner than May 15, 2024. The agreement is subject to the daily time, price and volume conditions of Rule 10b-18. The initial term of the agreement is for one year, expires on December 31, 2024.

The following table shows the Company's repurchase activity during the three month period ended September 30, 2023 March 31, 2024 under the 10b5-1 agreement.

Period	(a) Total Number of Class A Shares Purchased	(b) Average Price Paid per Class A Share (1)	(c) Total Number of Class A Shares Purchased as Part of Publicly Announced Plan or Program	(d) Maximum Number (or Approximate Dollar Value) of Class A Shares that May Yet Be Purchased Under the Plan or Program (2)
7/1/2023-7/1/2024-				
1/31/2023 2024		\$ -		318,043
8/2/2023-8/31/2023 2024-				318,043
2/29/2024				318,043
9/3/2023-9/30/2023 2024-				318,043
3/31/2024				318,043
Total		\$ -		318,043

(1) Includes fees and commissions paid on stock repurchases.

(2) In September 2018, the Board of Directors of the Company approved a Stock Repurchase Plan that authorized the repurchase of 300,000 shares of the Company's Class A Common Stock in the open market. The Company amended the Stock Repurchase Plan on December 4, 2020. The amendment authorized the repurchase of a total of 1,000,000 shares of the Company's Class A Common Stock in the open market. Any repurchased shares of Class A common stock are to be held as treasury shares to be used as the Company's employer matching contribution to the Employee 401(k) Retirement Savings Plan and for shares held in the Deferred Compensation Plan.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

During the three-month period ended September 30, 2023, none of the Company's directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408. **None.**

Item 6. Exhibits, Financial Statements Schedules, and Reports on Form 8-K.

(a)(1) Financial Statements

See "Table of Contents – Part I – Financial Information" under page 2 above.

See "Table of Contents – Part I – Financial Information" under page 2 above.

(a)(2) Financial Statement Schedules

None

All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

None

All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

(a) Exhibits

The following Exhibits are filed herewith pursuant to Rule 601 of Regulation S-K or are incorporated by reference to previous filings.

3.1 [Amended and Restated Articles of Incorporation](#) (1)

3.2 [Amended and Restated Bylaws](#) (2)

31.1 [Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002](#)

31.2 [Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002](#)

32.1 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

32.2 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101.INS Inline XBRL Instance Document

101.SCH Inline XBRL Taxonomy Extension Schema Document

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Incorporated by reference from Report on Form 10-K, as filed on March 31, 2017

(1) Incorporated by reference from Report on Form 10-K, as filed on March 31, 2017

(2)

(2) Incorporated by reference from Report on Form 10-Q, as filed on May 15, 2019

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGISTRANT

SECURITY NATIONAL FINANCIAL CORPORATION

Registrant

Dated: **November 14, 2023** May 14, 2024

/s/ Scott M. Quist

Scott M. Quist
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Dated: **November 14, 2023** May 14, 2024

/s/ Garrett S. Sill

Garrett S. Sill
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

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EXHIBIT 21

**SUBSIDIARIES OF THE REGISTRANT
AS OF MARCH 31, 2024**

Life Insurance Segment

Security National Life Insurance Company

Reppond Holding Company

First Guaranty Insurance Company

Kilpatrick Life Insurance Company

Southern Security Life Insurance Company, Inc.

Trans-Western Life Insurance Company

Security National Funding Company

New York Land Holdings, Inc.

SN Farmington LLC

434 Holdings LLC

5300 Development LLC

Ascension 5204 LLC

Ascension 433 LLC

SN Diamond LLC

Security National Real Estate Services, Inc. dba Security National Commercial Capital

Marketing Source Center, Inc. dba Security National Travel Services

SNFC Subsidiary, LLC

American Funeral Financial, LLC

FFC Acquisition Co., LLC dba Funeral Funding Center

Canadian Funeral Financial, LLC

Mortician's Choice, LLC

C & J Financial, LLC

Beta Capital Corp.

Beneficiary Advance LLC

MFF Capital LLC

SNCH Venture LLC

SNW-HAFB LLC

SNH Investments LLC

SNMA Properties LLC

SNMA-AR LLC

SNMA-AR2 LLC

SNMC-SC LLC

SNA Venture LLC

SNA-AM LLC

SNA-CM LLC

SNA-DM LLC

SNA-MB LLC

SNA-MV LLC

SNA-RVP LLC

SNA-SE LLC

SNA-SR LLC

SNA-SW LLC

SNA-TM LLC

SNA-TR LLC

SNA-TR2 LLC

SNA-WL2 LLC

Mortgage Segment

SecurityNational Mortgage Company
EverLEND Mortgage Company

SN-TLV LLC

SN Sunset LLC

Cemetery/Mortuary Segment

California Memorial Estates, Inc. dba Singing Hills Memorial Park

Holladay Memorial Park, Inc.

Cottonwood Mortuary, Inc.

Deseret Memorial, Inc.

Holladay Cottonwood Memorial Foundation

Memorial Estates, Inc.

Paradise Sunset Chapel Funeral Home, Inc.

Greer-Wilson Funeral Home, Inc.

SN Silver Creek LLC

Memorial Mortuary, Inc.

Affordable Funerals and Cremations of America, Inc.

SN Probst LLC

SN-Holbrook LLC

SN-Rivera LLC

SNR-LA LLC

SNR-Taos LLC

SNR-SF Cemetery LLC

SNR-SF Mortuary LLC

SNR-Espanola LLC

SN Mapleton LLC

EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,
AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott M. Quist, certify that:

1. I have reviewed this report on Form 10-Q of Security National Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period covered in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2023

May

14,

2024 /s/ Scott M. Quist

Scott M. Quist

Chairman, President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,
AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Garrett S. Sill, certify that:

1. I have reviewed this report on Form 10-Q of Security National Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period covered in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: **November 14, 2023**

May
14,
2024 /s/ Garrett S. Sill

Garrett S. Sill
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott M. Quist, Chairman of the Board, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **November 14, 2023**

May
14,
2024 /s/ Scott M. Quist

Scott M. Quist
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Garrett S. Sill, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **November 14, 2023**

May
14,
2024 /s/ *Garrett S. Sill*

Garrett S. Sill
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

DISCLAIMER

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