

REFINITIV

# DELTA REPORT

## 10-Q

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  |
| ADDITIONS    | 564  |

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

Accelerated filer ☐  
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 ☒ 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<br>(Unaudited) | December 31, 2023       |
|---|-------------------------------|-------------------------|
| <b>Assets</b>   |                               |                         |
| 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              |
| <b>Total investments</b>  | <b>935,789,485</b>            | <b>936,812,566</b>      |
| 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              |
| <b>Total Assets</b>   | <b>\$ 1,446,502,296</b>       | <b>\$ 1,430,552,275</b> |

**Part I - Financial Information**

**Item 1. Financial Statements.**

|   | September 30,<br>2023<br>(Unaudited) | December 31,<br>2022 |
|---|--------------------------------------|----------------------|
| <b>Assets</b>   |                                      |                      |
| 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           |
| <b>Total investments</b>  | <b>886,040,843</b>                   | <b>948,963,125</b>   |
| 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              |
| <b>Total Assets</b>        | <b>\$ 1,413,772,235</b> | <b>\$ 1,461,112,892</b> |

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

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

|   |                                      |                         | March 31, 2024          | December 31, 2023       |
|---|--------------------------------------|-------------------------|-------------------------|-------------------------|
|   | September 30,<br>2023<br>(Unaudited) | December 31,<br>2022    | (Unaudited)             |                         |
| <b>Liabilities and Stockholders' Equity</b>   |                                      |                         |                         |                         |
| <b>Liabilities</b>  |                                      |                         |                         |                         |
| 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   | <u>1,115,878,691</u>                 | <u>1,168,325,965</u>    | <u>1,126,398,322</u>    | <u>1,117,657,056</u>    |
| <b>Stockholders' Equity</b>   |                                      |                         |                         |                         |
| 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  | <u>297,893,544</u>                   | <u>292,786,927</u>      | <u>320,103,974</u>      | <u>312,895,219</u>      |
| <b>Total Liabilities and Stockholders' Equity</b>   | <u>\$ 1,413,772,235</u>              | <u>\$ 1,461,112,892</u> | <u>\$ 1,446,502,296</u> | <u>\$ 1,430,552,275</u> |

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           | 2024                         | 2023          |
| <b>Revenues:</b>  |                                  |                |                                 |                |                              |               |
| 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    |
| <b>Benefits and expenses:</b>   |                                  |                |                                 |                |                              |               |
| 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    |
| <b>Earnings (loss) before income taxes</b>  | 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)    |                              |               |
| <b>Earnings before income taxes</b>   |                                  |                |                                 |                | 9,619,311                    | 1,584,888     |
| Income tax expense  |                                  |                |                                 |                | (2,144,789)                  | (344,716)     |
| <b>Net earnings (loss)</b>  | \$ 4,041,293                     | \$ (2,353,185) | \$ 11,634,171                   | \$ 4,449,982   | \$ 7,474,522                 | \$ 1,240,172  |
| <b>Net earnings</b>   |                                  |                |                                 |                |                              |               |
| <b>Net earnings (loss) per Class A Equivalent common share (1)</b>                            | \$ 0.18                          | \$ (0.11)      | \$ 0.53                         | \$ 0.20        |                              |               |
| <b>Net earnings per Class A Equivalent common share (1)</b>                                   |                                  |                |                                 |                | \$ 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 income (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)

|  |                                      |                            |                                  |  |                       |                       |                       | Class A<br>Common<br>Stock | Class C<br>Common<br>Stock | A    |
|--|--------------------------------------|----------------------------|----------------------------------|--|-----------------------|-----------------------|-----------------------|----------------------------|----------------------------|------|
|  | Nine Months Ended September 30, 2023 |                            |                                  |  |                       |                       |                       |                            |                            |      |
|  | Class A<br>Common<br>Stock           | Class C<br>Common<br>Stock | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Retained<br>Earnings  | Treasury<br>Stock     | Total                 | Class A<br>Common<br>Stock | Class C<br>Common<br>Stock | A    |
| <b>January 1,<br/>2023</b>   | \$ 37,516,062                        | \$ 5,779,718               | \$ 64,767,769                    | \$ (13,070,277)  | \$ 202,160,306        | \$ (4,366,651)        | \$ 292,786,927        |                            |                            |      |
| Cumulative<br>effect<br>adjustment<br>upon adoption<br>of new<br>accounting<br>standard (ASU<br>2016-13) | -                                    | -                          | -                                | -  | (671,506)             | -                     | (671,506)             |                            |                            |      |
| Net earnings   | -                                    | -                          | -                                | -  | 1,240,172             | -                     | 1,240,172             |                            |                            |      |
| Other<br>comprehensive<br>income   | -                                    | -                          | -                                | 4,127,558  | -                     | -                     | 4,127,558             |                            |                            |      |
| Stock-based<br>compensation<br>expense   | -                                    | -                          | 143,671                          | -  | -                     | -                     | 143,671               |                            |                            |      |
| Exercise of<br>stock options   | 96,092                               | -                          | (62,073)                         | -  | -                     | -                     | 34,019                |                            |                            |      |
| Sale of<br>treasury stock  | -                                    | -                          | (43,493)                         | -  | -                     | 620,651               | 577,158               |                            |                            |      |
| Purchase of<br>treasury stock  | -                                    | -                          | -                                | -  | -                     | (1,204,357)           | (1,204,357)           |                            |                            |      |
| Conversion<br>Class C to<br>Class A  | 1,872                                | (1,872)                    | -                                | -  | -                     | -                     | -                     |                            |                            |      |
| <b>March 31,<br/>2023</b>  | <u>\$ 37,614,026</u>                 | <u>\$ 5,777,846</u>        | <u>\$ 64,805,874</u>             | <u>\$ (8,942,719)</u>                                  | <u>\$ 202,728,972</u> | <u>\$ (4,950,357)</u> | <u>\$ 297,033,642</u> |                            |                            |      |
| <b>January 1,<br/>2024</b>   |                                      |                            |                                  |  |                       |                       |                       | \$ 40,096,004              | \$ 5,943,708               | \$ 7 |
| Net earnings   | -                                    | -                          | -                                | -  | 6,352,706             | -                     | 6,352,706             | -                          | -                          |      |
| Other<br>comprehensive<br>loss   | -                                    | -                          | -                                | (3,952,052)  | -                     | -                     | (3,952,052)           | -                          | -                          |      |
| Stock-based<br>compensation<br>expense   | -                                    | -                          | 141,954                          | -  | -                     | -                     | 141,954               | -                          | -                          |      |
| Exercise of<br>stock options   | 159,284                              | -                          | (154,424)                        | -  | -                     | -                     | 4,860                 |                            |                            |      |
| Vesting of<br>restricted stock<br>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)           | -                     | -                     |                      |                     |
| <b>June 30, 2023</b>              | <b>\$ 39,787,400</b>       | <b>\$ 5,947,104</b>        | <b>\$ 71,685,665</b>             | <b>\$ (12,894,771)</b>                                 | <b>\$ 200,078,709</b> | <b>\$ (5,841,350)</b> | <b>\$ 298,762,757</b> |                      |                     |
| 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)               | -                     | -                     |                      |                     |
| <b>September 30, 2023</b>         | <b>\$ 40,015,222</b>       | <b>\$ 5,943,708</b>        | <b>\$ 72,190,361</b>             | <b>\$ (18,282,298)</b>                                 | <b>\$ 204,117,486</b> | <b>\$ (6,090,935)</b> | <b>\$ 297,893,544</b> |                      |                     |
| <b>March 31, 2024</b>             |                            |                            |                                  |  |                       |                       |                       | <b>\$ 40,097,162</b> | <b>\$ 5,943,360</b> |
| Three Months Ended March 31, 2023 |                            |                            |                                  |  |                       |                       |                       |                      |                     |
|                                   | Class A<br>Common<br>Stock | Class C<br>Common<br>Stock | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Retained<br>Earnings  | Treasury<br>Stock     | Total                 |                      |                     |
| <b>January 1, 2023</b>            | \$ 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)                    | -                                | -  | -                     | -                     | -                     |                      |                     |
| <b>March 31, 2023</b>             | <b>\$ 37,614,026</b>       | <b>\$ 5,777,846</b>        | <b>\$ 64,805,874</b>             | <b>\$ (8,942,719)</b>                                  | <b>\$ 202,728,972</b> | <b>\$ (4,950,357)</b> | <b>\$ 297,033,642</b> |                      |                     |

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

|                                  | Nine Months Ended September 30, 2022 |                            |                                  |  |                       |                       |                       |
|----------------------------------|--------------------------------------|----------------------------|----------------------------------|--|-----------------------|-----------------------|-----------------------|
|                                  | Class A<br>Common<br>Stock           | Class C<br>Common<br>Stock | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Retained<br>Earnings  | Treasury<br>Stock     | Total                 |
| <b>January 1, 2022</b>           | \$ 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)                      | -                                | -  | -                     | -                     | -                     |
| <b>March 31, 2022</b>            | <u>\$ 35,386,304</u>                 | <u>\$ 5,732,716</u>        | <u>\$ 58,379,438</u>             | <u>\$ 5,880,118</u>                                    | <u>\$ 187,766,207</u> | <u>\$ (843,916)</u>   | <u>\$ 292,300,867</u> |
| 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)           | -                     | -                     |
| <b>June 30, 2022</b>             | <u>\$ 37,357,376</u>                 | <u>\$ 5,857,422</u>        | <u>\$ 64,657,027</u>             | <u>\$ (4,430,367)</u>                                  | <u>\$ 183,273,171</u> | <u>\$ (6,229,574)</u> | <u>\$ 280,485,055</u> |
| 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)                   | -                                | -  | -                     | -                     | -                     |
| <b>September 30, 2022</b>        | <u>\$ 37,435,080</u>                 | <u>\$ 5,779,718</u>        | <u>\$ 64,840,595</u>             | <u>\$ (15,071,680)</u>                                 | <u>\$ 180,919,986</u> | <u>\$ (5,041,822)</u> | <u>\$ 268,861,877</u> |

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                  |
| <b>Cash flows from operating activities:</b>  |                                 |                      |                              |                       |
| Net cash provided by operating activities   | \$ 18,383,768                   | \$ 109,318,230       |                              |                       |
| Net cash provided by (used in) operating activities   |                                 |                      | \$ 25,077,244                | \$ (16,073,799)       |
| <b>Cash flows from investing activities:</b>  |                                 |                      |                              |                       |
| 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            |
| <b>Cash flows from financing activities:</b>  |                                 |                      |                              |                       |
| 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)          |
| <b>Net change in cash, cash equivalents, restricted cash and restricted cash equivalents</b>    | <b>13,638,990</b>               | <b>(47,193,065)</b>  | <b>24,627,357</b>            | <b>(23,951,570)</b>   |
| 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           |
| <b>Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period</b> | <b>\$ 147,122,807</b>           | <b>\$ 94,221,217</b> | <b>\$ 164,550,756</b>        | <b>\$ 109,532,247</b> |
| <b>Supplemental Disclosure of Cash Flow Information:</b>  |                                 |                      |                              |                       |
| 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)               |

|   |    |           |              |           |
|---|----|-----------|--------------|-----------|
| <b>Non Cash Operating, Investing and Financing Activities:</b>                                |    |           |              |           |
| 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 | \$           | -         |
| 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).



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   | <u>665,030</u>        |
| Restricted assets - mortgage loans held for investment:                         |                       |
| Residential construction  | <u>3,463</u>          |
| Cemetery perpetual care trust investments - mortgage loans held for investment: |                       |
| Residential construction  | <u>3,013</u>          |
| Grand Total   | <u><u>671,506</u></u> |

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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3) Investments

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

|  | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses (1) | Allowance<br>for Credit<br>Losses | Estimated<br>Fair Value | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses (1) | Allowance<br>for Credit<br>Losses | Esti<br>Fair |
|--|-------------------|------------------------------|-----------------------------------|-----------------------------------|-------------------------|-------------------|------------------------------|-----------------------------------|-----------------------------------|--------------|
| September 30,<br>2023:   |                   |                              |                                   |                                   |                         |                   |                              |                                   |                                   |              |
| March 31, 2024:  |                   |                              |                                   |                                   |                         |                   |                              |                                   |                                   |              |
| Fixed maturity<br>securities,<br>available for<br>sale, at<br>estimated fair<br>value: |                   |                              |                                   |                                   |                         |                   |                              |                                   |                                   |              |
| U.S. Treasury<br>securities and<br>obligations of<br>U.S.<br>Government<br>agencies    | \$ 108,680,913    | \$ 5,981                     | \$ (2,498,554)                    | \$ -                              | \$ 106,188,340          | \$ 108,273,666    | \$ 21,718                    | \$ (1,168,930)                    | \$ -                              | \$ 107,      |
| Obligations of<br>states and<br>political<br>subdivisions                              | 6,649,289         | 218                          | (586,789)                         | -                                 | 6,062,718               | 6,314,947         | 327                          | (312,669)                         | -                                 | 6,           |
| Corporate<br>securities<br>including<br>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-<br>backed<br>securities  | 32,889,293        | 13,422                       | (5,755,224)                       | -                                 | 27,147,491              | 39,788,398        | 342,124                      | (4,379,130)                       | (12,049)                          | 35,          |
| Redeemable<br>preferred<br>stock   | 250,000           | 10,000                       | -                                 | -                                 | 260,000                 | 250,000           | 10,000                       | -                                 | -                                 |              |
| Total fixed<br>maturity<br>securities<br>available for<br>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<br>at estimated fair<br>value:                                       |                   |                              |                                   |                                   |                         |                   |                              |                                   |                                   |              |
| Common stock:  |                   |                              |                                   |                                   |                         |                   |                              |                                   |                                   |              |
| Industrial,<br>miscellaneous<br>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 Bank stock (2)                            | 2,699,300      | 2,325,900      |
| 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 policy loans                    | \$ 66,253,417  | \$ 70,510,984  |
| 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  
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3) Investments (Continued)

3) Investments (Continued)

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

|   | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated Fair<br>Value | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses (1) | Allowance<br>for Credit<br>Losses | Estimated<br>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    | \$ 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.

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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<br>Losses for<br>Less than<br>Twelve<br>Months | Fair Value            | Unrealized<br>Losses for<br>More than<br>Twelve<br>Months | Fair Value            | Total<br>Unrealized<br>Loss | Combined<br>Fair Value |
|--|---|-----------------------|---|-----------------------|-----------------------------|------------------------|
| <b>September 30, 2023</b>  |   |                       |   |                       |                             |                        |
| 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   | <u>\$ 4,703,898</u>                                       | <u>\$ 128,622,664</u> | <u>\$ 19,549,601</u>                                      | <u>\$ 202,160,513</u> | <u>\$ 24,253,499</u>        | <u>\$ 330,783,177</u>  |
| <b>December 31, 2022</b>   |   |                       |   |                       |                             |                        |
| 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   | <u>\$ 16,883,189</u>                                      | <u>\$ 267,774,539</u> | <u>\$ 2,291,672</u>                                       | <u>\$ 13,189,587</u>  | <u>\$ 19,174,861</u>        | <u>\$ 280,964,126</u>  |
| <b>March 31, 2024</b>  |   |                       |   |                       |                             |                        |
| 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   | <u>\$ 812,376</u>   | <u>\$ 93,394,154</u>  | <u>\$ 12,494,451</u>                                      | <u>\$ 168,812,804</u> | <u>\$ 13,306,827</u>        | <u>\$ 262,206,958</u>  |
| <b>December 31, 2023</b>   |   |                       |   |                       |                             |                        |
| 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   | <u>\$ 599,958</u>   | <u>\$ 44,674,633</u>  | <u>\$ 12,984,162</u>                                      | <u>\$ 205,910,291</u> | <u>\$ 13,584,120</u>        | <u>\$ 250,584,924</u>  |

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 \$nil 179,500 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.

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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 Commissions ("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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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 tables presents present 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                     | \$ -   | \$ -   | \$ -                 | \$ -                       | \$ -     | \$ -   | \$ -   | \$ 308,500                                      | \$ 6,049                   | \$ 314,549 |
| 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) | -  | -  | -   | -                          | -          |

|  |      |      |            |      |            |      |      |            |           |            |
|--|------|------|------------|------|------------|------|------|------------|-----------|------------|
| 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                                | \$ - | \$ - | \$ 211,500 | \$ - | \$ 211,500 |      |      |            |           |            |
| Ending Balance - March 31, 2024                                    |      |      |            |      |            | \$ - | \$ - | \$ 398,500 | \$ 12,049 | \$ 410,549 |

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                                | \$ -   | \$ -   | \$ 211,500           | \$ -                       | \$ 211,500 |

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                    | \$ 225,475 |

| 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                                    | \$ -   | \$ -   | \$ 179,500                                      | \$ -                       | \$ 179,500 |

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)     |

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
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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<br>March 31, 2024 | As of<br>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>\$ 8,451,271</u>     | <u>\$ 8,515,865</u>        |

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

|  | As of<br>March 31, 2024 | As of<br>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>\$ 30,187,978</u>    | <u>\$ 30,005,004</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<br>March 31, 2024 | As of<br>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>\$ 94,098,666</u>    | <u>\$ 93,903,089</u>       |

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

|  | As of<br>September 30,<br>2023 | As of<br>December 31,<br>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>\$ 8,204,891</u>            | <u>\$ 11,032,165</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 The property is being marketed with the assistance of commercial real estate brokers in Mississippi and Louisiana. Mississippi.

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:

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

| Utah (1) | Net Book Value |                   |
|----------|----------------|-------------------|
|          | March 31, 2024 | December 31, 2023 |
|          | \$ 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,<br>2023 | December 31,<br>2022 | March 31,<br>2024 | December<br>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,<br>2023 | December 31,<br>2022 |
| Utah | \$ 2,285,707 (1)      | \$ 11,010,029        |
|      | \$ 2,285,707          | \$ 11,010,029        |

(1) Unimproved land

|      | Net Book Value |                   |
|------|----------------|-------------------|
|      | March 31, 2024 | December 31, 2023 |
| Utah | \$ 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.

**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.



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 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 trends require. the Company has adjusted its credit loss analysis.

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

|   | Commercial | Residential  | Residential Construction | Total        |
|---|------------|--------------|--------------------------|--------------|
| <b>September 30, 2023</b>   |            |              |                          |              |
| 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   | \$ 810,182 | \$ 1,600,170 | \$ 202,592               | \$ 2,612,944 |
| <b>December 31, 2022</b>  |            |              |                          |              |
| 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  | \$ 187,129 | \$ 1,739,980 | \$ 43,202                | \$ 1,970,311 |

|   | 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           | \$ 859,622         | \$ 1,862,495 | \$ 199,497               | \$ 2,921,614 |
| 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           | \$ 758,131         | \$ 1,685,100 | \$ 292,188               | \$ 2,735,419 |

(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<br>Construction | Total          | Commercial    | Residential    | Residential<br>Construction | Total          |
|--|---------------|---------------|-----------------------------|----------------|---------------|----------------|-----------------------------|----------------|
| <b>September 30, 2023</b>              |               |               |                             |                |               |                |                             |                |
| <b>March 31, 2024</b>                  |               |               |                             |                |               |                |                             |                |
| 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 |
| <b>December 31, 2022</b>               |               |               |                             |                |               |                |                             |                |
| 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 |               |                |                             |                |
| <b>December 31, 2023</b>               |               |               |                             |                |               |                |                             |                |
| 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                   | 74,176,538    | 103,153,587   | 104,052,748    | 281,382,873    |
| Allowance for credit losses            | (1,219,653)   | (2,390,894)   | (208,106)      | (3,818,653)    |
| Unamortized deferred loan fees, net    | (172,989)     | (1,135,491)   | (314,746)      | (1,623,226)    |
| Unamortized discounts, net             | (216,705)     | (107,452)     | -              | (324,157)      |
| Net mortgage loans held for investment | \$ 72,567,191 | \$ 99,519,750 | \$ 103,529,896 | \$ 275,616,837 |

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

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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 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 |              |               |              |
|--------------------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|------------|--------------|---------------|--------------|
| LTV:                     |               |               |              |              |              |              |               |            |              |               |              |
| Credit Quality Indicator |               |               |              |              |              |              |               |            | 2024         | 2023          | 2022         |
| 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 | \$ 3,300,378 |
| 65% to 80%               | -             | 4,585,706     | 1,050,000    | 4,913,313    | -            | -            | 10,549,019    | 18.84 %    | 432,978      | 1,523,926     | 4,713,313    |
| 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 | \$ 8,013,691 |
| 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 | \$ 1,000,000 |
| 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     | 7,133,313    |
| <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 | \$ 8,133,313 |

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                 |
|--------------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|-----------------|---------------------|----------------------|
| <b>Performance Indicators:</b> |                     |                      |                     |                     |                     |                      |                      |                 |                     |                      |
| 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              |
| <b>Total</b>                   | <b>\$ 8,112,561</b> | <b>\$ 56,144,678</b> | <b>\$ 7,991,235</b> | <b>\$ 8,296,322</b> | <b>\$ 2,808,390</b> | <b>\$ 13,238,457</b> | <b>\$ 96,591,643</b> | <b>100.00 %</b> | <b>\$ 3,547,990</b> | <b>\$ 17,108,246</b> |

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

|   |                      |                      |                      |                      |                     |                      |                       |                       |                 |  |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|-----------------------|-----------------------|-----------------|--|
| <b>LTV:</b>   |                      |                      |                      |                      |                     |                      |                       |                       |                 |  |
| 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 %         |  |
| <b>Total</b>  |                      | <b>\$ 3,547,990</b>  | <b>\$ 17,108,246</b> | <b>\$ 54,830,661</b> | <b>\$ 7,411,249</b> | <b>\$ 8,115,961</b>  | <b>\$ 15,750,525</b>  | <b>\$ 106,764,632</b> | <b>100.00 %</b> |  |
| 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            |                 |  |
| <b>Performance Indicators:</b>  |                      |                      |                      |                      |                     |                      |                       |                       |                 |  |
| 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 %                |                 |  |
| <b>Total</b>  | <b>\$ 15,337,828</b> | <b>\$ 56,077,503</b> | <b>\$ 7,521,995</b>  | <b>\$ 8,066,897</b>  | <b>\$ 2,786,562</b> | <b>\$ 13,362,802</b> | <b>\$ 103,153,587</b> | <b>100.00 %</b>       |                 |  |

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

|                  |                      |                      |                     |                     |                     |                      |                       |                 |  |  |
|------------------|----------------------|----------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|-----------------|--|--|
| <b>LTV:</b>      |                      |                      |                     |                     |                     |                      |                       |                 |  |  |
| 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 %         |  |  |
| <b>Total</b>     | <b>\$ 15,337,828</b> | <b>\$ 56,077,503</b> | <b>\$ 7,521,995</b> | <b>\$ 8,066,897</b> | <b>\$ 2,786,562</b> | <b>\$ 13,362,802</b> | <b>\$ 103,153,587</b> | <b>100.00 %</b> |  |  |

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                |
|--------------------------------|----------------------|----------------------|----------------------|-----------------------|-----------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| <b>Performance Indicators:</b> |                      |                      |                      |                       |                 |                      |                      |                     |                      |                      |
| 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        | \$ 99,748,400        |
| Non-performing                 | -                    | 1,005,417            | -                    | 1,005,417             | 0.99 %          | -                    | -                    | -                   | -                    | -                    |
| <b>Total</b>                   | <b>\$ 48,525,276</b> | <b>\$ 28,218,972</b> | <b>\$ 24,551,503</b> | <b>\$ 101,295,751</b> | <b>100.00 %</b> | <b>\$ 17,493,176</b> | <b>\$ 49,632,301</b> | <b>\$ 6,844,517</b> | <b>\$ 25,778,414</b> | <b>\$ 99,748,400</b> |
| <b>LTV:</b>                    |                      |                      |                      |                       |                 |                      |                      |                     |                      |                      |
| 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        | \$ 76,388,193        |
| 65% to 80%                     | 19,048,360           | 19,543,691           | 7,434,322            | 46,026,373            | 45.44 %         | -                    | 20,975,586           | 2,384,629           | -                    | 23,360,215           |
| Greater than 80%               | -                    | -                    | -                    | -                     | 0.00 %          | -                    | -                    | -                   | -                    | -                    |
| <b>Total</b>                   | <b>\$ 48,525,276</b> | <b>\$ 28,218,972</b> | <b>\$ 24,551,503</b> | <b>\$ 101,295,751</b> | <b>100.00 %</b> | <b>\$ 17,493,176</b> | <b>\$ 49,632,301</b> | <b>\$ 6,844,517</b> | <b>\$ 25,778,414</b> | <b>\$ 99,748,400</b> |

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

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,<br>2023 | As of December 31,<br>2022 | As of<br>March 31,<br>2024 | As of<br>December<br>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<br>Months<br>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           |                     | <u>\$ 1,587,525</u>      |
|   | Allowance           |                          |
| Beginning balance - January 1, 2023       | \$ 1,609,951        | \$ 1,609,951             |
| Change in provision for credit losses (1) | 667,260             | 233,113                  |
| Charge-offs                               | (721,950)           | (157,163)                |
| Ending balance - September 30, 2023       | <u>\$ 1,555,261</u> |                          |
| 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        | <u>\$ 1,609,951</u> |                          |
| Ending balance - March 31, 2023           |                     | <u>\$ 1,685,901</u>      |

(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           |                              |            |
| 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, |               |                              |               |
|  | 2023                             | 2022          | 2023                            | 2022          | 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,<br>2023 | As of December 31,<br>2022 | As of<br>March 31,<br>2024 | As of<br>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  
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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,<br>2023 | As of December 31,<br>2022 | As of<br>March 31,<br>2024 | As of<br>December 31,<br>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           |                              |               |
| 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,<br>2023 | As of December 31,<br>2022 | As of<br>March 31,<br>2024 | As of<br>December<br>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  
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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 three month period ended September 30, 2023 March 31, 2024, is summarized as follows:

|   | Number of<br>Class A Shares | Weighted Average<br>Exercise Price (2) | Number of<br>Class C Shares | Weighted Average<br>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   | 797,691                     | \$ 4.78                                | 1,215,062                   | \$ 5.31                                |
| As of September 30, 2023:   |                             |  |                             |  |
| Options exercisable   | 770,066                     | \$ 4.73                                | 1,141,312                   | \$ 5.25                                |
| As of September 30, 2023:   |                             |  |                             |  |
| Available options for future grant  | 171,386                     |  | 834,750                     |  |
| Weighted average contractual term of options<br>outstanding at September 30, 2023 | 4.69 years                  |  | 6.15 years                  |  |
| Weighted average contractual term of options<br>exercisable at September 30, 2023 | 4.53 years                  |  | 6.03 years                  |  |
| Aggregated intrinsic value of options<br>outstanding at September 30, 2023 (1)    | \$ 2,438,675                |  | \$ 3,074,037                |  |
| Aggregated intrinsic value of options<br>exercisable at September 30, 2023 (1)    | \$ 2,398,360                |  | \$ 2,955,012                |  |

|  | Number of<br>Class A Shares | Weighted Average<br>Exercise Price (2) | Number of<br>Class C Shares | Weighted Average<br>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  | 850,070                     | \$ 5.29                                | 1,520,062                   | \$ 5.86                                |
| As of March 31, 2024:  |                             |  |                             |  |
| Options exercisable  | 765,695                     | \$ 4.97                                | 1,291,312                   | \$ 5.47                                |
| As of March 31, 2024:  |                             |  |                             |  |
| Available options for future grant   | 76,320                      |  | 529,750                     |  |
| 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)    | \$ 2,230,953                |  | \$ 3,108,691                |  |
| Aggregated intrinsic value of options exercisable at March 31, 2024 (1)    | \$ 2,246,543                |  | \$ 3,146,491                |  |

- 
- (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  
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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<br>Class A Shares | Weighted Average<br>Exercise Price (2) | Number of<br>Class C Shares | Weighted Average<br>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  | <u>1,003,210</u>            | <u>\$ 4.58</u>                         | <u>862,203</u>              | <u>\$ 5.26</u>                         |
| As of September 30, 2022:  |                             |  |                             |  |
| Options exercisable  | <u>978,835</u>              | <u>\$ 4.49</u>                         | <u>804,703</u>              | <u>\$ 5.04</u>                         |
| As of September 30, 2022:  |                             |  |                             |  |
| Available options for future grant   | <u>1,239,795</u>            |  | <u>17,523</u>               |  |
| 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)    | <u>\$ 1,775,100</u>         |  | <u>\$ 939,395</u>           |  |
| Aggregated intrinsic value of options exercisable at September 30, 2022 (1)    | <u>\$ 1,819,950</u>         |  | <u>\$ 1,055,445</u>         |  |

|  | Number of<br>Class A Shares | Weighted Average<br>Exercise Price (2) | Number of<br>Class C Shares | Weighted Average<br>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  | <u>901,900</u>              | <u>\$ 4.92</u>                         | <u>1,157,203</u>            | <u>\$ 5.59</u>                     |
| As of March 31, 2023:  |                             |  |                             |                                    |
| Options exercisable  | <u>827,025</u>              | <u>\$ 4.76</u>                         | <u>935,953</u>              | <u>\$ 5.36</u>                     |
| As of March 31, 2023:  |                             |  |                             |                                    |
| Available options for future grant   | <u>155,133</u>              |  | <u>795,000</u>              |                                    |
| 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)    | <u>\$ 1,182,602</u>         |  | <u>\$ 741,380</u>           |                                    |
| Aggregated intrinsic value of options exercisable at March 31, 2023 (1)    | <u>\$ 1,214,210</u>         |  | <u>\$ 812,293</u>           |                                    |

(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.

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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 \$nil2,375. 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<br>Class A Shares | Weighted Average<br>Grant Date Fair<br>Value | Number<br>of<br>Class A<br>Shares | Weighted<br>Average<br>Grant<br>Date Fair<br>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<br>Class A Shares | Weighted Average Grant Date<br>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                      |   |



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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<br>September 30, |                | Nine Months Ended<br>September 30, |              | Three Months Ended<br>March 31, |              |
|   | 2023                                | 2022           | 2023                               | 2022         | 2024                            | 2023         |
| Numerator:                                  |                                     |                |                                    |              |                                 |              |
| 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      |                                 |              |
| Diluted net earnings per share              |                                     |                |                                    |              | \$ 0.33                         | \$ 0.05      |

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 | 2,866,565 |            |           |
| Outstanding shares at December 31, 2022     |            |           | 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             | 59,599            | (59,599)         |                   |                  |
|  | <u>20,007,611</u> | <u>2,971,854</u> |                   |                  |
| Outstanding shares at September 30, 2023     | <u>20,007,611</u> | <u>2,971,854</u> |                   |                  |
| 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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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.

|   | Life Insurance          | Cemetery/<br>Mortuary | Mortgage              | Intercompany<br>Eliminations | Consolidated            |
|---|-------------------------|-----------------------|-----------------------|------------------------------|-------------------------|
| <b>For the Three Months Ended</b>         |                         |                       |                       |                              |                         |
| <b><u>March 31, 2024</u></b>              |                         |                       |                       |                              |                         |
| 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                       | \$ 1,341,500,414        | \$ 99,346,510         | \$ 94,563,032         | \$ (94,161,443)              | \$ 1,441,248,513        |
| 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> |
| <b>For the Three Months Ended</b>         |                         |                       |                       |                              |                         |
| <b><u>March 31, 2023</u></b>              |                         |                       |                       |                              |                         |
| 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                       | \$ 1,308,954,075        | \$ 87,354,333         | \$ 152,745,312        | \$ (111,225,073)             | \$ 1,437,828,647        |
| 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> |

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**7) 8) Business Segment Information (Continued)**

|   | Life Insurance          | Cemetery/<br>Mortuary | Mortgage              | Intercompany<br>Eliminations | Consolidated            |
|---|-------------------------|-----------------------|-----------------------|------------------------------|-------------------------|
| <b>For the Three Months Ended <u>September 30, 2023</u></b> |                         |                       |                       |                              |                         |
| 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               |
| <b>For the Nine Months Ended <u>September 30, 2023</u></b>  |                         |                       |                       |                              |                         |
| 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  | <u>\$ 1,301,792,782</u> | <u>\$ 94,787,235</u>  | <u>\$ 107,800,781</u> | <u>\$ (90,608,563)</u>       | <u>\$ 1,413,772,235</u> |
| <b>For the Three Months Ended <u>September 30, 2022</u></b> |                         |                       |                       |                              |                         |
| 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)             |
| <b>For the Nine Months Ended <u>September 30, 2022</u></b>  |                         |                       |                       |                              |                         |
| 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  | <u>\$ 1,225,031,262</u> | <u>\$ 82,890,876</u>  | <u>\$ 239,915,479</u> | <u>\$ (87,763,750)</u>       | <u>\$ 1,460,073,867</u> |

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#### 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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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.

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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 September 30, 2023 March 31, 2024:

|   | Total          | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total          | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---|----------------|---|--|--|----------------|--|--|--|
| Assets accounted for<br>at fair value on a<br>recurring basis               |                |   |  |  |                |  |  |  |
| Fixed maturity<br>securities available<br>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<br>care trust<br>investments (1)                         | 367,392        | -   | 367,392  | -  | 640,779        | -  | 640,779  | -  |
| Cemetery perpetual<br>care trust<br>investments (2)                         | 3,855,805      | 3,855,805   | -  | -  | 4,576,289      | 4,576,289  | -  | -  |
| Derivatives - loan<br>commitments (3)                                       | 4,817,703      | -   | -  | 4,817,703  | 5,454,295      | -  | -  | 5,454,295  |
| Total assets<br>accounted for at fair<br>value on a<br>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<br>for at fair value on a<br>recurring basis          |                |   |  |  |                |  |  |  |
| Derivatives - loan<br>commitments (4)                                       | (3,088,542)    | -   | -  | (3,088,542)  | (3,309,255)    | -  | -  | (3,309,255)  |
| Total liabilities<br>accounted for at fair<br>value<br>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<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(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



SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
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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<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(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**

**Notes to Condensed Consolidated Financial Statements**

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

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<br>December 31,<br>2022 | Valuation<br>Technique | Significant<br>Unobservable<br>Input(s)                               | Range of Inputs<br>Minimum<br>Value | Maximum<br>Value | Weighted<br>Average | Fair Value at<br>December 31,<br>2023 | Valuation<br>Technique | Significant<br>Unobservable<br>Input(s)                               | Range of Inputs<br>Minimum<br>Value | Maximum<br>Value |
|--|---------------------------------------|------------------------|---|-------------------------------------|------------------|---------------------|---------------------------------------|------------------------|---|-------------------------------------|------------------|
| Loans held for sale                          | \$ 141,179,620                        | Market approach        | Investor contract pricing as a percentage of unpaid principal balance | 69.9 %                              | 106.1 %          | 99.8 %              | \$ 126,549,190                        | Market approach        | Investor contract pricing as a percentage of unpaid principal balance | 70.0 %                              |                  |
| Derivatives - loan commitments (net)         | 2,706,877                             | Market approach        | Pull-through rate   | 65.0 %                              | 95.0 %           | 82.2 %              | 1,583,262                             | Market approach        | Pull-through rate   | 70.0 %                              |                  |
|  |                                       |                        | Initial-Value Servicing   | N/A<br>0 bps                        | N/A<br>153 bps   | N/A<br>73 bps       |                                       |                        | Initial-Value Servicing   | N/A<br>0 bps                        |                  |
| Fixed maturity securities available for sale | 1,435,519                             | Broker quotes          | Pricing quotes  | \$ 100.00                           | \$ 111.11        | \$ 104.97           | 1,238,656                             | Broker quotes          | Pricing quotes  | \$ 98.40                            | \$               |

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 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                   | \$ 1,729,161         | \$ 152,546,566      | \$ 1,232,187                                 |

|  | 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                       | \$ 2,145,040         | \$ 112,678,958      | \$ 1,232,187                                 |

(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               | \$ 3,384,829         | \$ 173,015,404      | \$ 1,435,519                                 |

(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                   | \$ 4,172,360         | \$ 161,981,923      | \$ 1,625,198                                 |

(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

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**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):                          | -                    | -                   | -  |
| Included in earnings                           | (1,504,286) (1)      | 9,553,586 (1)       | (109) (2)                                    |
| Included in other comprehensive income         | -                    | -                   | (70,057)                                     |
| Balance - September 30, 2023                   | \$ 1,729,161         | \$ 152,546,566      | \$ 1,232,187                                 |

(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):                          | -                    | -                   | -  |
| Included in earnings                           | (3,271,282) (1)      | 14,590,805 (1)      | -(2)   |
| Included in other comprehensive income         | -                    | -                   | 7,039  |
| Balance - September 30, 2022                   | \$ 4,172,360         | \$ 161,981,923      | \$ 1,625,198                                 |

(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<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(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 | \$ 471,786 | \$ -  | \$ -  | \$ 471,786                                      |

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September 30, 2023 March 31, 2024 (Unaudited)

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 |
|---|------------------|---------|---------|------------------|----------------------------|------------------|---------|---------|-----------------|----------------------------|
| <b>Assets</b>                                 |                  |         |         |                  |                            |                  |         |         |                 |                            |
| 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                  |
| <b>Liabilities</b>                            |                  |         |         |                  |                            |                  |         |         |                 |                            |
| 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 |
|---|------------------|---------|---------|------------------|----------------------------|------------------|---------|---------|------------------|----------------------------|
| <b>Assets</b>                                 |                  |         |         |                  |                            |                  |         |         |                  |                            |
| 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                  |
| <b>Liabilities</b>                            |                  |         |         |                  |                            |                  |         |         |                  |                            |
| 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.

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  |                                    | <u>\$ 268,292,962</u> | <u>\$ 4,817,703</u> | <u>\$ 3,088,542</u>  | <u>\$ 454,894,908</u> | <u>\$ 4,089,859</u> | <u>\$ 1,426,582</u>  |

|  | Balance Sheet Location             | March 31, 2024        |                     |                      | December 31, 2023     |                     |                      |
|--|------------------------------------|-----------------------|---------------------|----------------------|-----------------------|---------------------|----------------------|
|  |                                    | 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 | <u>\$ 229,458,247</u> | <u>\$ 5,454,295</u> | <u>\$ 3,309,255</u>  | <u>\$ 161,832,250</u> | <u>\$ 4,995,486</u> | <u>\$ 3,412,224</u>  |
| Total  |                                    | <u>\$ 229,458,247</u> | <u>\$ 5,454,295</u> | <u>\$ 3,309,255</u>  | <u>\$ 161,832,250</u> | <u>\$ 4,995,486</u> | <u>\$ 3,412,224</u>  |

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)          |                | Classification      | Net Amount Gain              |            |
|----------------------|---------------------------------------|----------------------------------|----------------|---------------------------------|----------------|---------------------|------------------------------|------------|
|                      |                                       | Three Months Ended September 30, |                | Nine Months Ended September 30, |                |                     | 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.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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.

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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 MSR 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,<br>2023 | As of December 31,<br>2022 | As of<br>March 31,<br>2024 | As of<br>December<br>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  | \$ 3,494,723                | \$ 3,039,765               | \$ 3,318,155               | \$ 3,461,146                  |
| 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   | \$ -                        | \$ -                       | \$ -                       | \$ -                          |
| Mortgage servicing rights, net   | \$ 3,494,723                | \$ 3,039,765               | \$ 3,318,155               | \$ 3,461,146                  |
| Estimated fair value of MSRs at end of period  | \$ 5,012,375                | \$ 3,927,877               | \$ 4,767,315               | \$ 4,543,657                  |

(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<br>Amortization | Estimated<br>MSR<br>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<br>September 30, |              | Nine Months Ended<br>September 30, |               | 2024                            | 2023       |
|----------------------------|-------------------------------------|--------------|------------------------------------|---------------|---------------------------------|------------|
|                            | 2023                                | 2022         | 2023                               | 2022          | Three Months Ended<br>March 31, |            |
|                            |                                     |              |                                    |               | 2024                            | 2023       |
| Contractual servicing fees | \$ 249,050                          | \$ 4,644,397 | \$ 892,668                         | \$ 13,845,626 | \$ 256,662                      | \$ 410,400 |
| Late fees                  | 21,037                              | 107,219      | 84,358                             | 288,854       | 23,208                          | 49,313     |
| Total                      | \$ 270,087                          | \$ 4,751,616 | \$ 977,026                         | \$ 14,134,480 | \$ 279,870                      | \$ 459,713 |

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

|               | As of September 30,<br>2023 | As of December 31, 2022 |
|---------------|-----------------------------|-------------------------|
| Servicing UPB | \$ 411,911,166              | \$ 360,023,384          |

  

|               | As of March 31,<br>2024 | As of December 31, 2023 |
|---------------|-------------------------|-------------------------|
| Servicing UPB | \$ 405,409,197          | \$ 414,147,436          |

The following key assumptions were used in determining MSR value:

|                    | Prepayment<br>Speeds | Average<br>Life (Years) | Discount<br>Rate |
|--------------------|----------------------|-------------------------|------------------|
| September 30, 2023 | 8.00                 | 8.59                    | 12.22            |
| December 31, 2022  | 8.12                 | 8.49                    | 11.95            |

  

|                   | Prepayment<br>Speeds | Average<br>Life (Years) | Discount<br>Rate |
|-------------------|----------------------|-------------------------|------------------|
| 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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**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)          | 695,373           | -              | 1,346,376          |

  

|                             | Contract Balances |                |                    |
|-----------------------------|-------------------|----------------|--------------------|
|                             | Receivables (1)   | Contract Asset | Contract Liability |
| Opening (January 1, 2022)   | \$ 5,298,636      | \$ -           | \$ 14,508,022      |
| Closing (December 31, 2022) | 5,392,779         | -              | 16,226,836         |
| Increase/(decrease)         | 94,143            | -              | 1,718,814          |

  

|                           | Contract Balances |                |                    |
|---------------------------|-------------------|----------------|--------------------|
|                           | Receivables (1)   | Contract Asset | Contract Liability |
| Opening (January 1, 2024) | \$ 6,321,573      | \$ -           | \$ 18,237,246      |
| Closing (March 31, 2024)  | 5,896,842         | -              | 18,501,474         |
| Increase/(decrease)       | (424,731)         | -              | 264,228            |

  

|                             | Contract Balances |                |                    |
|-----------------------------|-------------------|----------------|--------------------|
|                             | Receivables (1)   | Contract Asset | Contract Liability |
| Opening (January 1, 2023)   | \$ 5,392,779      | \$ -           | \$ 16,226,836      |
| Closing (December 31, 2023) | 6,321,573         | -              | 18,237,246         |
| Increase/(decrease)         | 928,794           | -              | 2,010,410          |

(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<br>September 30, |                     | Nine Months Ended<br>September 30, |                      | 2024                            | 2023                |
|---|-------------------------------------|---------------------|------------------------------------|----------------------|---------------------------------|---------------------|
|   |                                     |                     |                                    |                      | Three Months Ended<br>March 31, |                     |
|   | 2023                                | 2022                | 2023                               | 2022                 | 2024                            | 2023                |
| <u>Major goods/service lines</u>        |                                     |                     |                                    |                      |                                 |                     |
| 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> |
| <u>Timing of Revenue Recognition</u>    |                                     |                     |                                    |                      |                                 |                     |
| 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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**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<br>September 30, |              | Nine Months Ended<br>September 30, |               | Three Months Ended<br>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       | 7,416,423                           | 6,691,998    | 23,427,327                         | 21,446,210    | 8,787,578                       | 7,198,396    |

**14) Receivables**

Receivables consist of the following:

|                                 | As of September 30,<br>2023 | As of December 31,<br>2022 | As of<br>March 31,<br>2024 | As of<br>December<br>31, 2023 |
|---------------------------------|-----------------------------|----------------------------|----------------------------|-------------------------------|
| Contracts with customers        | \$ 6,088,152                | \$ 5,392,779               | \$ 5,896,842               | \$ 6,321,573                  |
| 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               | 17,019,752                  | 30,802,883                 | 18,631,099                 | 17,233,202                    |
| Allowance for doubtful accounts | (1,520,801)                 | (2,229,791)                |                            |                               |
| Allowance for credit losses     |                             |                            | (1,755,553)                | (1,897,887)                   |
| Net receivables                 | \$ 15,498,951               | \$ 28,573,092              | \$ 16,875,546              | \$ 15,335,315                 |

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<br>Months<br>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       | \$ 1,520,801 |                          |
| 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        | \$ 2,229,791 |                          |
| Ending balance - March 31, 2024           |              | \$ 1,755,553             |
|   |              | Three Months Ended       |
| 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           | \$ 1,867,124 |                          |

(1) 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)

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<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance<br>for Credit<br>Losses | Estimated<br>Fair Value | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance<br>for Credit<br>Losses | Estimated<br>Fair Value |
|---|-------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------|-------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------|
| <b>September 30, 2023:</b>  |                   |                              |                               |                                   |                         |                   |                              |                               |                                   |                         |
| <b>March 31, 2024:</b>  |                   |                              |                               |                                   |                         |                   |                              |                               |                                   |                         |
| 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: Residential     | \$ 30,632      |                |
| 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 |
|---|----------------|------------------------|-------------------------|----------------------|----------------|------------------------|-------------------------|----------------------|
| <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    | \$ 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<br>Losses for<br>Less than<br>Twelve<br>Months | Fair Value        | Unrealized<br>Losses for<br>More than<br>Twelve<br>Months | Fair Value        | Total<br>Unrealized<br>Loss | Fair Value        | Unrealized<br>Losses for<br>Less than<br>Twelve<br>Months | Fair<br>Value     | Unrealized<br>Losses for<br>More than<br>Twelve<br>Months | Fair<br>Value     | Total<br>Unrealized<br>Loss | Fair<br>Value     |
|--|---|-------------------|---|-------------------|-----------------------------|-------------------|---|-------------------|---|-------------------|-----------------------------|-------------------|
| <u>September 30,<br/>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> |

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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 96.097.8% 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 96.498.1% 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<br>Cost | Estimated Fair<br>Value | Amortized<br>Cost | Estimated<br>Fair<br>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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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
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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<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance<br>for Credit<br>Losses | Estimated<br>Fair Value | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance<br>for Credit<br>Losses | Estimated<br>Fair Value |
|---|-------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------|-------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------|
| <b>September 30, 2023:</b>  |                   |                              |                               |                                   |                         |                   |                              |                               |                                   |                         |
| <b>March 31, 2024:</b>  |                   |                              |                               |                                   |                         |                   |                              |                               |                                   |                         |
| 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 |
|---|----------------|------------------------|-------------------------|----------------------|----------------|------------------------|-------------------------|----------------------|
| <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    |                |                        |                         |                      | \$ 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<br>Losses for Less<br>than Twelve<br>Months | Fair Value | Unrealized<br>Losses for<br>More than<br>Twelve Months | Fair Value | Total<br>Unrealized<br>Loss | Fair Value   |
|--|--|------------|--|------------|-----------------------------|--------------|
| <b>September 30, 2023</b>  |  |            |  |            |                             |              |
| 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 |
| <b>December 31, 2022</b>   |  |            |  |            |                             |              |
| 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 |
| <b>March 31, 2024</b>  |  |            |  |            |                             |              |
| 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 |
| <b>December 31, 2023</b>   |  |            |  |            |                             |              |
| 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 securities with fair values aggregating 97.5% of the aggregate amortized cost as of September 30, 2023 March 31, 2024. Relevant holdings were comprised of 17 securities with fair values aggregating 98.2% 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. 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<br>Cost | Estimated Fair<br>Value | Amortized<br>Cost | Estimated Fair<br>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 |
| Amounts reclassified into net earnings                                     | (96,551)                     | (218,900)    |
| Net unrealized gains (losses) before taxes                                 | (1,131,650)                  | 5,218,029    |
| Tax (expense) benefit  | 238,552                      | (1,095,787)  |
| Net  | (893,098)                    | 4,122,242    |
| Unrealized gains (losses) on restricted assets (1)                         | (1,890)                      | 4,133        |
| Tax (expense) benefit  | 471                          | (1,029)      |
| Net  | (1,419)                      | 3,104        |
| Unrealized gains (losses) on cemetery perpetual care trust investments (1) | (774)                        | 2,926        |
| Tax (expense) benefit  | 193                          | (714)        |
| Net  | (581)                        | 2,212        |
| Other comprehensive income (loss) changes                                  | \$ (895,098)                 | \$ 4,127,558 |

(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<br>December 31,<br>2022 | Change for the<br>period | Ending Balance<br>September 30,<br>2023 | Beginning Balance<br>December 31, 2023 | Change for the<br>period | Ending Balance<br>March 31,<br>2024 |
|--|---|--------------------------|---|--|--------------------------|-------------------------------------|
| Unrealized losses on fixed maturity securities available for sale  | \$ (13,050,767)                           | \$ (5,198,792)           | \$ (18,249,559)                         | \$ (6,876,629)                         | \$ (893,098)             | \$ (7,769,727)                      |
| Unrealized losses on restricted assets (1)                         | (13,148)                                  | (10,768)                 | (23,916)                                | (4,757)                                | (1,419)                  | (6,176)                             |
| Unrealized losses on cemetery perpetual care trust investments (1) | (6,362)                                   | (2,461)                  | (8,823)                                 | (4,172)                                | (581)                    | (4,753)                             |
| 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<br>December 31,<br>2021 | Change for the<br>period | Ending Balance<br>December 31,<br>2022 | Beginning Balance<br>December 31, 2022 | Change for the<br>period | Ending Balance<br>December 31,<br>2023 |
|---|---|--------------------------|--|--|--------------------------|--|
| Unrealized gains (losses) on fixed maturity securities available for sale | \$ 18,021,265                             | \$ (31,072,032)          | \$ (13,050,767)                        | \$ (13,050,767)                        | \$ 6,174,138             | \$ (6,876,629)                         |

|  |                      |                        |                        |                        |                     |                       |
|--|----------------------|------------------------|------------------------|------------------------|---------------------|-----------------------|
| 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

## 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, 2023. See Note 7 to the condensed consolidated financial statements.

|  | Three months ended September 30,<br>(in thousands of dollars) |           |                          | Nine months ended September 30,<br>(in thousands of dollars) |            |                          | Three months ended March 31,<br>(in thousands of dollars) |           |                          |
|--|---|-----------|--------------------------|--|------------|--------------------------|---|-----------|--------------------------|
|  | 2023  | 2022      | % Increase<br>(Decrease) | 2023   | 2022       | % Increase<br>(Decrease) | 2024  | 2023      | % Increase<br>(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, (iii) 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,<br>(in thousands of dollars) |          |                          | Nine months ended September 30,<br>(in thousands of dollars) |           |                          | Three months ended March<br>31,<br>(in thousands of dollars) |          |                          |
|--|---|----------|--------------------------|--|-----------|--------------------------|--|----------|--------------------------|
|  | 2023  | 2022     | % Increase<br>(Decrease) | 2023   | 2022      | % Increase<br>(Decrease) | 2024   | 2023     | % Increase<br>(Decrease) |
| 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** three 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,<br>(in thousands of dollars) |            |                          | Nine months ended September 30,<br>(in thousands of dollars) |            |                          | Three months ended March 31,<br>(in thousands of dollars) |            |                          |
|---|---|------------|--------------------------|--|------------|--------------------------|---|------------|--------------------------|
|   | 2023  | 2022       | % Increase<br>(Decrease) | 2023   | 2022       | % Increase<br>(Decrease) | 2024  | 2023       | % Increase<br>(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 \$772,000 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, (iii) 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, a \$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 \$139,000 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  |
| 8/2/1/2023-8/31/2023 2024-2/29/2024 | -  | -  | -  | 318,043  |
| 9/3/1/2023-9/30/2023 2024-3/31/2024 | -  | -  | -  | 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

(3)

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 15d-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 15d-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

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

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