

REFINITIV

DELTA REPORT

10-K

SNFCA - SECURITY NATIONAL FINANCI

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	4020
--------------	------

 CHANGES	6
---	---

 DELETIONS	2956
---	------

 ADDITIONS	1058
---	------

UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2022

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 2022 EQUITY INCENTIVE PLAN)

Security National Financial Corporation (the "Company"), a Utah corporation, hereby establishes and adopts the First Amended and Restated Security National Financial Corporation 2022 Equity Incentive Plan (the "Plan") effective as of registrant as the date specified in Section 13.13 below.

1. PURPOSE OF THE PLAN

The purpose of the Plan is to assist the Company and its charter) Subsidiaries in attracting and retaining selected individuals to serve as directors, employees, consultants and/or advisors of the Company who are expected to contribute to the Company's success and to achieve long-term objectives which will inure to the benefit of all shareholders of the Company through the additional incentives inherent in the Awards hereunder.

UTAH

(State or other jurisdiction of
incorporation or organization)

433 West Ascension Way, Salt Lake City, Utah
(Address of principal executive offices)

Registrant's telephone number, including area code:

87-0345941

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

84123
(Zip Code)

(801)264-1060

Securities registered2. DEFINITIONS

"Administrator" shall mean (i) the Board; or (ii) to the extent (A) the Board has delegated such power and authority to the Committee (which delegation may be revoked by the Board at any time), or (B) otherwise required pursuant to Section 12(b) 4 of the Act: Plan, the Committee.

Title of each class	Trading symbol	Name of exchange on which registered
Class A Common Stock	SNFCA	The Nasdaq Global Select Market

Securities registered "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Other Share-Based Award or any other right, interest or option relating to Shares or other property (including cash) granted pursuant to Section 12(g) the provisions of the Act: None Plan.

Indicate "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted by check mark if the registrant is a well-known seasoned issuer, as defined Administrator hereunder, including through an electronic medium.

"Base Amount" has the meaning set forth in Rule 405 Section 6.2(b).

"Board" shall mean the board of directors of the Securities Act. Company.

☐ Yes ☒ No

Indicate by check mark if "Cause" shall mean with respect to any Employee or Consultant (unless the registrant applicable Award Agreement states otherwise), any such Employee's or Consultant's: (i) commission of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company or a Subsidiary; (ii) conduct that results in or is not required reasonably likely to file reports result in material harm to the reputation or business of the Company or any Subsidiary; (iii) gross negligence or willful misconduct with respect to the Company or a Subsidiary; (iv) material violation of state or federal securities laws or any applicable written employment-related policy of the Company or Subsidiary; or (v) conduct, violation or other action that would be considered Cause pursuant to Section 13 a definition of Cause in any employment or Section 15(d) service agreement, if any, between any such Employee or Consultant and the Company or any of its Subsidiaries. With respect to any Director, unless the applicable Award Agreement states otherwise, "Cause" means the commission of, or

plea of guilty or no contest to, a felony or a crime involving moral turpitude, malfeasance in office, gross misconduct or neglect of duties as a Director, false or fraudulent misrepresentation inducing the Director's appointment, or repeated failure to participate in Board meetings on a regular basis despite having received proper notice of the Securities Act.

☐ Yes ☒ No

Indicate by check mark meetings in advance. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to 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) a Participant has been subject to such filing requirements discharged for the past 90 days.Cause.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of June 30, 2022, the aggregate market value of the registrant's Class A common stock held by non-affiliates of the registrant was approximately \$42,000,000 based on the \$8.46 closing sale price of the Class A common stock as reported on The Nasdaq Global Select Market.

As of March 27, 2023, there were outstanding 18,807,013 shares of Class A common stock, \$2.00 par value per share, and 2,888,923 shares of Class C common stock, \$2.00 par value per share.

Documents Incorporated by Reference

None.

Security National Financial Corporation
Form 10-K
For the Fiscal Year Ended December 31, 2022
TABLE OF CONTENTS

	<u>Page</u>
<u>Part I</u>	
Item 1. Business	3
Item 1A. Risk Factors	10
Item 1B. Unresolved Staff Comments	11
Item 2. Properties	11
Item 3. Legal Proceedings	16
Item 4. Mine Safety Disclosures	16
<u>Part II</u>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	16
Item 6. [Reserved]	18
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	19
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	31
Item 8. Financial Statements and Supplementary Data	32
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	119
Item 9A. Controls and Procedures	119
Item 9B. Other Information	119
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	119
<u>Part III</u>	
Item 10. Directors, Executive Officers and Corporate Governance	120
Item 11. Executive Compensation	120
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	120
Item 13. Certain Relationships and Related Transactions, and Director Independence	120
Item 14. Principal Accounting Fees and Services	120
<u>Part IV</u>	
Item 15. Exhibits, Financial Statement Schedules	120
Item 16. Form 10-K Summary	120
Signatures	121
Financial Statement Schedules	122

PART I

Item 1. Business

Security National Financial Corporation (the “Company”) operates in three reportable business segments: life insurance, cemetery and mortuary, and mortgages. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products, and accident and health insurance. These products are marketed in 40 states through a commissioned sales force of independent licensed insurance agents who may also sell insurance products of other companies. The cemetery and mortuary segment consists of eight mortuaries and five cemeteries in the state of Utah, one cemetery in the state of California, and one cemetery and four mortuaries in the state of New Mexico. The Company also engages in pre-need selling of funeral, cemetery, mortuary, and cremation services through its cemetery and mortuary locations. The mortgage segment originates and underwrites or otherwise purchases residential and commercial loans for new construction, existing homes, and other real estate projects. The mortgage segment operates through 118 retail offices in 26 states, and is an approved mortgage lender in several other states.

The Company’s design and structure are that each business segment is related to the other business segments and contributes to the profitability of the other segments. The Company’s cemetery and mortuary segment provides a level of public awareness that assists in the sales and marketing of insurance and pre-need cemetery and funeral products. The Company’s insurance segment invests its assets (including, in part, pre-need funeral products and services) in investments authorized by the respective insurance departments of their states of domicile. The Company also pursues growth through acquisitions. The Company’s mortgage segment provides mortgage loans and other real estate investment opportunities.

The Company was organized as a holding company in 1979 when Security National Life Insurance Company (“Security National Life”) became a wholly owned subsidiary of the Company and the former stockholders of Security National Life became stockholders of the Company. Security National Life was formed in 1965 and has acquired or purchased significant blocks of business which include Capital Investors Life Insurance Company (1994), Civil Service Employees Life Insurance Company (1995), Southern Security Life Insurance Company (1998), Menlo Life Insurance Company (1999), Acadian Life Insurance Company (2002), Paramount Security Life Insurance Company (2004), Memorial Insurance Company of America (2005), Capital Reserve Life Insurance Company (2007), Southern Security Life Insurance Company, Inc. (2008), North America Life Insurance Company (2011, 2015), Trans-Western Life Insurance Company (2012), Mothe Life Insurance Company (2012), DLE Life Insurance Company (2012), American Republic Insurance Company (2015), First Guaranty Insurance Company (2016), and Kilpatrick Life Insurance Company (2019). In August 2021, the Company sold Memorial Insurance Company of America.

The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies. The cemetery and mortuary companies that the Company has acquired are Holladay Memorial Park, Inc. (1991), Cottonwood Mortuary, Inc. (1991), Deseret Memorial, Inc. (1991), Probst Family Funerals and Cremations L.L.C. (2019), Heber Valley Funeral Home, Inc. (2019), Rivera Funerals, Cremations and Memorial Gardens (2021), and Holbrook Mortuary (2021).

In 1993, the Company formed SecurityNational Mortgage Company (“SecurityNational Mortgage”) to originate and refinance residential mortgage loans. In 2012, the Company formed Green Street Mortgage Services, Inc. (now known as EverLEND Mortgage Company) (“EverLEND Mortgage”) also to originate and refinance residential mortgage loans. In December 2021, the Company ceased operations in EverLEND Mortgage and merged its operations into SecurityNational Mortgage.

See Note 15 of the Notes to Consolidated Financial Statements for additional information regarding business segments of the Company.

Life Insurance

Products

The Company, through Security National Life, First Guaranty Insurance Company (“First Guaranty”), and Kilpatrick Life Insurance Company (“Kilpatrick”), issues and distributes selected lines of life insurance and annuities. 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. The Company’s insurance subsidiaries, Southern Security Life Insurance Company, Inc. (“Southern Security”) and Trans-Western Life Insurance Company (“Trans-Western”), do not actively write policies, but service and maintain policies that were purchased prior to their acquisition by Security National Life.

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 has lower competition 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.

Markets and Distribution

The Company is licensed to sell insurance in 40 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific niche markets. The Company’s funeral plan policies are sold primarily to persons who range in age from 45 to 85 and have low to moderate income. A majority of the Company’s funeral plan premiums come from the states of Arkansas, California, Florida, Georgia, Louisiana, Mississippi, Texas, and Utah.

The Company sells its life insurance products through direct agents, brokers, and independent licensed agents who may also sell insurance products of other companies. The commissions on life insurance products range from approximately 50% to 120% of first year premiums. In those cases where the Company utilizes its direct agents in selling such policies, those agents customarily receive advances against future commissions.

In some instances, funeral plan insurance is marketed in conjunction with the Company’s cemetery and mortuary sales force. When it is marketed by that group, the beneficiary is usually the Company’s cemeteries and mortuaries. Thus, death benefits that become payable under the policy are paid to the Company’s cemetery and mortuary subsidiaries to the extent of services performed and products purchased. In marketing funeral plan insurance, the Company also seeks and obtains third-party endorsements from other cemeteries and mortuaries within its marketing areas. Typically, these cemeteries and mortuaries will provide letters of endorsement and may share in mailing and other lead-generating costs since these businesses are usually made the beneficiary of the policy. The following table summarizes the life insurance business for the five years ended December 31, 2022:

	2022	2021	2020	2019 (1)	2018
Life Insurance					
Policy/Cert Count as of December 31	646,296	653,450	659,237	669,064	531,831
Insurance in force as of December 31 (in thousands)	\$ 2,865,957	\$ 2,863,759	\$ 2,890,791	\$ 2,877,402	\$ 1,838,488
Premiums Collected (in thousands)	\$ 103,304	\$ 99,006	\$ 92,058	\$ 78,253	\$ 74,965

(1) Acquisition of Kilpatrick

“

Underwriting

The factors considered **Change** in evaluating an application for ordinary life insurance coverage can include **Control”** shall have the applicant’s age, occupation, general health, and medical history. Upon receipt of a satisfactory (non-funeral plan insurance) application, which contains pertinent medical questions, the Company issues insurance based upon its medical limits and requirements subject to the following general non-medical limits:

Age Nearest Birthday	Non-Medical Limits
0-50	\$100,000
51-up	Medical information required (APS or exam)

When underwriting life insurance, the Company will sometimes issue policies with higher premium rates for substandard risks. The Company’s funeral plan insurance is written on a simplified medical application with underwriting requirements being a completed application, a phone interview of the applicant, and an intelligiscript prescription history inquiry. There are several underwriting classes in which an applicant can be placed.

Annuities

Products

The Company’s annuity business includes single premium deferred annuities, flexible premium deferred annuities, and immediate annuities. A single premium deferred annuity is a contract where the individual remits a sum of money to the Company, which is retained on deposit until such time as the individual may wish to annuitize or surrender the contract for cash. A flexible premium deferred annuity gives the contract holder the right to make premium payments of varying amounts or to make no further premium payments after his initial payment. These single and flexible premium deferred annuities can have initial surrender charges. The surrender charges act as a deterrent to individuals who may wish to prematurely surrender their annuity contracts. An immediate annuity is a contract in which the individual remits a sum of money to the Company in return for the Company’s obligation to pay a series of payments on a periodic basis over a designated period of time, such as an individual’s life, or for such other period as may be designated.

Annuities have guaranteed interest rates that range from 1% to 6.5% per annum. Rates above the guaranteed interest rate credited are periodically modified by the Board of Directors at its discretion. In order for the Company to realize a profit on an annuity product, the Company must maintain an interest rate spread between its investment income and the interest rate credited to the annuities. Commissions, issuance expenses, and general and administrative expenses are deducted from this interest rate spread.

Markets and Distribution

The general market for the Company’s annuities is middle to older age individuals. A major source of annuity sales come from direct agents and are sold in conjunction with other insurance sales. If an individual does not qualify for a funeral plan, the agent will often sell that individual an annuity to fund final expenses.

The following table summarizes the annuity business for the five years ended December 31, 2022:

	2022	2021	2020	2019 (1)	2018
Annuities Policy/Cert Count as of December 31	24,225	24,901	25,476	26,565	22,313
Deposits Collected (in thousands)	\$ 9,972	\$ 9,719	\$ 9,637	\$ 10,400	\$ 9,644

(1) Acquisition of Kilpatrick

Accident and Health

Products

Through its various acquisitions, the Company occasionally acquires small blocks of accident and health policies, which it continues to service. The Company offers a low-cost comprehensive diver's accident policy that provides worldwide coverage for medical expense reimbursement in the event of a diving accident.

Markets and Distribution

The Company currently markets its diver's accident policies through the internet.

The following table summarizes the accident and health insurance business for the five years ended December 31, 2022:

	2022	2021	2020	2019 (1)	2018
Accident and Health Policy/Cert Count as of December 31	11,132	12,494	13,735	15,133	3,763
Premiums Collected (in thousands)	\$ 543	\$ 353	\$ 296	\$ 110	\$ 98

(1) Acquisition of Kilpatrick

Reinsurance

The primary purpose of reinsurance is to enable an insurance company to issue an insurance policy in an amount larger than the risk the insurance company is willing to assume for itself. The insurance company remains obligated for the amounts reinsured (ceded) in the event the reinsurers do not meet their obligations.

The Company currently cedes and assumes certain risks with various authorized unaffiliated reinsurers pursuant to reinsurance treaties, which are generally renewed annually. The premiums paid by the Company are based on a number of factors, primarily including the age of the insured and the risk ceded to the reinsurer.

It is the Company's policy to retain no more than \$100,000 of ordinary insurance per insured life, with the excess risk being reinsured. The total amount of life insurance reinsured by other companies as of December 31, 2022, was \$346,749,000, which represented approximately 12.1% of the Company's life insurance in force on that date.

See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding reinsurance.

Investments

The investments that support the Company's life insurance and annuity obligations are determined by the investment committees of the Company's subsidiaries and ratified by the full boards of directors of the respective subsidiaries. A significant portion of the Company's investments must meet statutory requirements governing the nature and quality of permitted investments by its insurance subsidiaries. The Company maintains a diversified investment portfolio consisting of common stocks, preferred stocks, municipal bonds, corporate bonds, mortgage loans, real estate, and other securities and investments.

See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding investments.

Cemetery and Mortuary

Products

Through its cemetery and mortuary segment, the Company markets a variety of products and services both on a pre-need basis (prior to death) and an at-need basis (at the time of death). The products include: plots, interment vaults, mausoleum crypts, markers, caskets, urns and other death care related products. These services include: professional services of funeral directors, opening and closing of graves, use of chapels and viewing rooms, and use of automobiles and clothing. The Company has a mortuary at each of its cemeteries, other than Holladay Memorial Park and Singing Hills Memorial Park, and has six separate stand-alone mortuary facilities.

Markets and Distribution

The Company's pre-need cemetery and mortuary sales are marketed to persons of all ages but are generally purchased by persons 45 years of age and older. The Company is limited in its geographic distribution of these products to areas lying within an approximate 20-mile radius of its mortuaries and cemeteries. The Company's at-need sales are similarly limited in geographic area.

The Company actively seeks to sell its cemetery and funeral products to customers on a pre-need basis. The Company employs cemetery sales representatives on a commission basis to sell these products. Many of these pre-need cemetery and mortuary sales representatives are also licensed insurance salesmen and sell funeral plan insurance. In some instances, the Company's cemetery and mortuary facilities are the named beneficiaries of the funeral plan policies.

Potential customers are located via telephone sales prospecting, responses to letters mailed by the pre-planning consultants, billboards and other outside advertising, referrals, and door-to-door canvassing. The Company trains its sales representatives and helps generate leads for them.

Mortgage Loans

Products

The Company, through SecurityNational Mortgage, is active in the residential real estate market. SecurityNational Mortgage is approved by the U.S. Department of Housing and Urban Development (HUD), the Federal National Mortgage Association (Fannie Mae), and other secondary market investors, to originate a variety of residential mortgage loan products, which are subsequently sold to investors. The Company uses internal and external funding sources to fund mortgage loans. In December 2021, the Company ceased operations through EverLEND Mortgage and merged its operations into SecurityNational Mortgage.

Security National Life originates and funds commercial real estate loans, residential construction loans, and land development loans for internal investment.

Markets and Distribution

The Company's residential mortgage lending services are marketed primarily to real estate brokers, builders and directly with consumers. The Company has a strong retail origination presence in the Utah, Florida, Texas, Nevada and Arizona markets and many other states across the country. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding mortgage loans.

Recent Acquisitions and Other Business Activities

Acquisitions

Acquisition of Rivera Funerals, Cremations and Memorial Gardens

On December 21, 2021, the Company, through Memorial Estates Inc., completed a business combination transaction with Rivera Funerals, Cremations and Memorial Gardens. The mortuaries and cemetery are located in New Mexico.

Under the terms of the transaction, as meaning set forth in the Asset Purchase Agreement, dated December 21, 2021, Memorial Estates Inc. paid a net purchase price of \$10,693,395 for the business and assets of Rivera Funerals, Cremations and Memorial Gardens, subject to holdback amounts held by Memorial Estates, Inc. in the total amount of \$1,120,000. Pursuant to the Asset Purchase Agreement, Memorial Estates, Inc. used \$70,000 Section 11.4.

“Class A Shares” shall mean Class A Common Stock, par value \$2.00 per share, of the holdback amount to pay trade accounts payable of Rivera Funerals, Cremations and Memorial Gardens to third parties that remained unpaid at the time of purchase. The remaining \$1,050,000 holdback amount is to be released and paid by Memorial Estates Inc. in annual payments of up to \$105,000 each, beginning in January 2023. Company

“Acquisition of Holbrook Mortuary” Class C Shares

On December 28, 2021, the Company, through its wholly-owned subsidiary, Memorial Mortuary Inc., completed a business combination transaction with Holbrook Mortuary located in Salt Lake City, Utah.

Under the terms “ shall mean Class C Common Stock, par value \$2.00 per share, of the transaction, as Company.

“Clawback Policy” shall have the meaning set forth in Section 13.5(b).

“Code” shall mean the Asset Purchase Agreement, dated December 28, 2021, Memorial Mortuary Inc. paid Internal Revenue Code of 1986, as amended from time to time. Any reference to a net purchase price of \$3,051,747 for the business and assets of Holbrook Mortuary.

Real Estate Development

The Company is capitalizing on the opportunity to develop commercial and residential assets on its existing properties. The cost to acquire existing for-sale assets currently exceeds the replacement costs, thus creating the opportunity for development and redevelopment section of the land that Code shall be deemed to include a reference to any regulations promulgated thereunder.

“Committee” shall mean the Company currently owns. The Company has developed, or is in the process of developing, assets that have an initial development cost exceeding \$100,000,000, primarily relating to the Center53 Development. The Company plans to continue its development endeavors as based upon its assessment Compensation Committee of the market demand.

Center53 Development

Center53 Development is an office development project comprising nearly 20 acres Board consisting of land that is currently owned by no fewer than two Directors, each of whom is: (i) a “Non-Employee Director” within the Company in the central valley meaning of Salt Lake City. At final completion, the multi-year, phased development is expected to create a campus atmosphere and include nearly one million square-feet of office space in five buildings, ranging from four to eleven stories, and will be serviced by three parking structures with about 4,000 stalls. In 2015, the Company broke ground and commenced development on the first phase which included a six-story building of nearly 200,000 square feet and a parking garage with 748 parking stalls. The first phase Rule 16b-3 of the project was completed in July 2017 Exchange Act; and is currently 100% leased. The second phase (ii) an “independent director” for purpose of the project began in March 2020 and includes a second six story building of nearly 221,000 square feet and a parking garage with approximately 870 stalls. The Company began its occupancy of a portion of the building in October 2021 and the remainder of the building is currently 100% leased. The Company plans to initiate future phases of the Center53 Development for additional Class A office space in the central valley of Salt Lake City.

Regulation

The Company's insurance subsidiaries are subject to comprehensive regulation in the jurisdictions in which they do business under statutes and regulations administered by state insurance commissioners. Such regulation relates to, among other things, prior approval of the acquisition of a controlling interest in an insurance company; standards of solvency which must be met and maintained; licensing of insurers and their agents; nature of and limitations on investments; deposits of securities for the benefit of policyholders; approval of policy forms and premium rates; periodic examinations of the affairs of insurance companies; annual and other reports required to be filed on the financial condition of insurers or for other purposes; and requirements regarding aggregate reserves for life policies and annuity contracts, policy claims, unearned premiums, and other matters. The Company's insurance subsidiaries are subject to this type of regulation in any state in which they conduct relevant business. Such regulation may cause unforeseen costs and operational restrictions, and delay implementation of the Company's business plans.

The Company's life insurance subsidiaries are currently subject to regulation in Utah, Louisiana, Mississippi and Texas under insurance holding company legislation, and other states where applicable. Generally, intercompany transfers of assets and dividend payments from insurance subsidiaries are subject to prior notice of approval from the relevant state insurance department where, they are deemed "extraordinary" under relevant state law. The insurance subsidiaries are required, under state insurance laws, to file detailed annual reports with the supervisory agencies in each of the states in which they do business. Their business and accounts are also subject to examination by these agencies. The Company was last examined in 2021 (First Guaranty Insurance), 2022 (Security National Life, Southern Security and Trans-Western) and 2021 (Kilpatrick Life). Its most recent final examination reports have been approved by the insurance departments and are public record.

The Texas Department of Banking also audits pre-need insurance policies that are issued in the state of Texas. Pre-need policies include the life and annuity products sold as the funding mechanism for funeral plans through funeral homes by Security National agents. The Company is required to send the Texas Department of Banking an annual report that summarizes the number of policies in force and the face amount or death benefit for each policy. This annual report is also required to indicate the number of new policies issued for that year, all death claims paid that year, and all premiums received.

The Company's cemetery and mortuary subsidiaries are subject to the Federal Trade Commission's comprehensive funeral industry rules and to state regulations in the various states where such operations are domiciled. The morticians must be licensed by the respective state in which they provide their services. Similarly, the mortuaries and cemeteries are governed and licensed by state statutes and city ordinances in Utah, California and New Mexico. The subsidiaries are required to keep annual reports on file including financial information concerning the number of spaces sold and, where applicable, funds provided to the Endowment Care Trust Fund. Licenses are issued annually on the basis of such reports. The cemeteries maintain city or county licenses where they conduct business.

The Company's mortgage subsidiaries are subject to the rules and regulations of the U.S. Department of Housing and Urban Development (HUD), and NASDAQ Global Market (or such other principal securities market on which the Class A Shares are traded).

"Company" shall mean Security National Financial Corporation, a Utah corporation.

"Company Voting Securities" shall have the meaning set forth in Section 11.4(b).

"Consultant" shall mean any individual or entity which performs bona fide services to various state licensing acts and regulations and the Consumer Financial Protection Bureau (CFPB). These regulations, among other things, specify minimum capital requirements and; procedures for loan origination and underwriting, licensing of brokers and loan officers and, quality review audits and specify the fees that can be charged to borrowers. Each year, the Company or a Subsidiary, other than as an Employee or Director, and who may be offered Shares under the Plan registerable pursuant to a registration statement on Form S-8 under the Securities Act; provided such services are not in connection with the offer or sale of securities in a capital-raising transaction.

"Continuous Service" shall mean that the Participant's service with the Company or a Subsidiary, whether as an Employee, Consultant or Director, is required not terminated. The Participant's Continuous Service shall not be deemed to have an audit completed for each mortgage subsidiary by an independent registered public accounting firm to verify compliance with terminated merely because of a change in the relevant regulations. In addition capacity in which the Participant renders service to the government regulations, Company or a Subsidiary as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service; provided that (i) there is no interruption or termination of the Participant's Continuous Service; and (ii) that if any Award is subject to Section 409A of the Code, this sentence shall only be given effect to the extent consistent with Section 409A of the Code. For example, a change in status from an Employee of the Company must meet loan requirements, and underwriting guidelines to a Director of various investors who purchase a Subsidiary will not constitute an interruption of Continuous Service. The Administrator or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the loans. EverLEND Mortgage is not required case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence. The Administrator or its delegate, in its sole discretion, may also determine whether a Company transaction, such as a sale or spin-off of a division or Subsidiary that employs a Participant, shall be deemed to have an audit for 2021 since it ceased operations in December 2021.

Income Taxes

The Company's insurance subsidiaries, Security National Life, First Guaranty and Kilpatrick, are taxed under the Life Insurance Company Tax Act of 1984. Under the act, life insurance companies are taxed at standard corporate rates on life insurance company taxable income. Life insurance company taxable income is gross income less general business deductions and reserves for future policyholder benefits (with modifications). Under The Tax Cuts and Jobs Act, December 31, 2017 policyholder surplus account balances result in taxable income over

a period termination of eight years. Continuous Service for purposes of affected Awards, and such decision shall be final, conclusive and binding.

Security National Life, First Guaranty and Kilpatrick calculate their life insurance taxable income after establishing a provision representing a portion of the costs of acquisition of such life insurance business. The effect of the provision is that a certain percentage of the Company's premium income is characterized as deferred expenses and recognized over a five or ten-year period. The Tax Act changed this recognition period for amounts deferred after December 31, 2017 to a five or fifteen-year period.

The Company's non-life insurance company subsidiaries are taxed in general under the regular corporate tax provisions. The Company's subsidiaries Southern Security and Trans-Western are regulated as life insurance companies but do not meet the Internal Revenue Code definition of a life insurance company, so they are taxed as insurance companies other than life insurance companies.

9-2-

Competition“Deferred Stock Unit” shall have the meaning set forth in Section 8.2.

“Director” shall mean a non-employee member of the Board.

“Disability” shall mean, unless the applicable Award Agreement says otherwise, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment; provided, that for purposes of determining the term of an Incentive Stock Option, the term Disability shall have the meaning ascribed to it under Section 22(e)(3) of the Code. The life insurance industry determination of whether an individual has a Disability shall be determined under procedures established by the Administrator. Except in situations where the Administrator is highly competitive. There are approximately 800 legal reserve life insurance companies in business in determining Disability for purposes of the United States. These insurance companies differentiate themselves through marketing techniques, product features, pricing, and customer service. The Company’s insurance subsidiaries compete with term of an Incentive Stock Option, the Administrator may rely on any determination that a large number Participant is disabled for purposes of insurance companies, many of which have greater financial resources, a longer business history, and more diversified line of insurance products than the Company. In addition, such companies generally have a larger sales force. Further, benefits under any long-term disability plan maintained by the Company competes with mutual insurance companies which may have a competitive advantage because all profits accrue to policyholders. Because the Company is smaller by industry standards and lacks broad diversification of risk, it may be more vulnerable to losses than larger, better-established companies. The Company believes that its policies and rates for the markets it serves are generally competitive.

The cemetery and mortuary industry is also highly competitive. In the Utah, California and New Mexico markets where the Company competes, there are a number of cemeteries and mortuaries which have longer business histories, more established positions in the community, and stronger financial positions than the Company. In addition, some of the cemeteries with which the Company must compete for sales are owned by municipalities and, as a result, can offer lower prices than can the Company. The Company bears the cost of a pre-need sales program that is not incurred by those competitors which do not have a pre-need sales force. The Company believes that its products and prices are generally competitive with those in the industry.

The mortgage industry is highly competitive with a large number of mortgage companies and banks in the same geographic area or any Subsidiary in which the Company is operating. The mortgage industry in general is sensitive to changes in interest rates and Participant participates.

“Dividend Equivalents” shall have the refinancing market is particularly vulnerable to changes in interest rates.

Human Capital Management

As of December 31, 2022, the Company employed 1,422 full-time and 202 part-time employees. Of the full-time employees, 934 were employed by the mortgage segment, 368 by the life insurance segment, and 120 by the cemetery and mortuary segment. The Company requires monthly acknowledgement of its anti-discrimination and anti-harassment policies and communicates to its employees how to report concerns that relate to their employment experience.

Employee Benefits

All eligible employees may elect coverage under the Company’s group health (including health savings and flexible spending), retirement, supplemental life and voluntary benefit programs. As of December 31, 2022, 826 employees had elected to participate in the Company’s group health insurance plans.

The Company has an employee safe harbor retirement plan that qualifies under section 401(k) of the Internal Revenue Code and contributes a matching contribution based on the employee’s contribution and years of service.

The Company provides other time off benefits such as paid sick and paid vacation time. The Company provides discounts on pre-need and death benefits to tenured employees. Additionally, the Company offers an employee assistance program that provides 24/7 counseling services for employees who may be facing challenges outside of the workplace.

Available Information

The Company’s internet address is securitynational.com. The Company’s investor relations website is investor.securitynational.com and the Company promptly makes available on this website, free of charge, the reports that it files or furnishes with the Securities and Exchange Commission.

Item 1A. Risk Factors

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

Item 1B. Unresolved Staff Comments

None. As a smaller reporting company, the Company is not required to provide information typically disclosed under this item.

Item 2. Properties

The following tables meaning set forth the location of the Company's office facilities and certain other information relating to these properties in Section 8.3(b).

Street	City	State	Function	Owned / Leased	Approximate Square Footage	Lease Amount	Expiration
433 Ascension Way, Floors 4, 5 and 6	Salt Lake City	UT	Corporate Headquarters, Insurance Operations, Cemetery and Mortuary Operations, Mortgage Operations and Sales	Owned	221,000	N/A	N/A
1044 River Oaks Dr.	Flowood	MS	Insurance Operations	Owned	5,522	N/A	N/A
1818 Marshall St.	Shreveport	LA	Insurance Operations	Owned	12,274	N/A	N/A
812 Sheppard St.	Minden	LA	Insurance Sales	Owned	1,560	N/A	N/A
909 Foisy Ave.	Alexandria	LA	Insurance Sales	Owned	8,059	N/A	N/A
1550 N. Third St.	Jena	LA	Insurance Sales	Owned	1,737	N/A	N/A
1 Sanctuary Blvd. Suite 302A	Mandeville	LA	Insurance Sales	Leased	1,335	\$ 2,262 / mo	6/30/2023
79 E. Main Street	Midway	UT	Funeral Service Sales	Leased	4,476	\$ 6,051 / mo	10/31/2025
4387 S. 500 W.	Salt Lake City	UT	Funeral Service Sales	Leased	2,168	\$ 1,840 / mo	7/31/2025
1627A Central Ave.	Los Alamos	NM	Funeral Service Sales	Leased	1,400	\$ 1,600 / mo	12/30/2024
200 Market Way	Rainbow City	AL	Fast Funding Operations	Leased	12,850	\$ 10,490 / mo	1/31/2025
500 Blount Avenue,	Guntersville	AL	Mortgage Sales	Leased	1,250	\$ 1,000 / mo	6/30/2023
1101 McMurtrie Drive, Suite F1	Huntsville	AL	Mortgage Sales	Leased	4,500	\$ 5,625 / mo	2/28/2026
5100 N. 99th Ave., Suite 101/103	Phoenix	AZ	Mortgage Sales	Sub-Leased	3,940	\$ 3,369 / mo	month to month
10609 N. Hayden Rd., Suite 100	Scottsdale	AZ	Mortgage Sales	Leased	3,585	\$ 8,650 / mo	month to month
1819 Dobson Rd., Suite 202	Mesa	AZ	Mortgage Sales	Leased	890	\$ 2,114 / mo	7/31/2023
2828 N. Central Ave., Suite 1100A	Phoenix	AZ	Mortgage Sales	Sub-Leased	1,691	\$ 4,859 / mo	month to month
1490 S. Price Road, Suite 318	Chandler	AZ	Mortgage Sales	Leased	UNK	\$ 3,050 / mo	6/30/2023
5100 N. 99th Ave., Suite 111	Phoenix	AZ	Mortgage Sales	Sub-Leased	720	\$ 1,023 / mo	month to month
1951 West Camelback Rd, Ste 200	Phoenix	AZ	Mortgage Sales	Leased	2,446	\$ 3,567 / mo	month to month

AZ (01144) 2636 Hwy 95 Suite 2 Bullhead City, 86442 (az-2636)	Bullhead City	AZ	Mortgage Sales	Leased	1,000	\$ 1,250 / mo	month to month
6870 S Highway 95 Building C Suite 451B, 2220 S. Country Club Drive Suite 101	Mohave Valley	AZ	Mortgage Sales	Leased	661	\$ 3,000 / mo	month to month
	Mesa	AZ	Mortgage Sales	Leased	3,274	\$ 5,184 / mo	2/14/2028
108 E. El Caminito Dr.	Phoenix	AZ	Mortgage Sales	Leased	100	\$ - / mo	month to month
9971 E. Paseo De La Masada	Tucson	AZ	Mortgage Sales	Leased	100	\$ - / mo	month to month
350 West 16th Street #209	Yum	AZ	Mortgage Sales	Leased	1,731	\$ 3,725 / mo	6/30/2024
102 North Cortez St.	Prescott	AZ	Mortgage Sales	Leased	100	\$ 600 / mo	month to month
40977 Oak Dr.	Forest Falls	CA	Mortgage Sales	Leased	250	\$ - / mo	month to month
2934 E. Garvey Ave. South, Suite 250	West Covina	CA	Mortgage Sales	Leased	500	\$ 712 / mo	month to month
7398 Fox Trail Unit B 3247 West March Lane, Ste 125	Yucca Valley	CA	Mortgage Sales	Leased	900	\$ 550 / mo	month to month
	Stockton	CA	Mortgage Sales	Leased	1,504	\$ 3,610 / mo	11/30/2024
5001 E. Commercial Dr, Ste 285	Bakersfeild	CA	Mortgage Sales	Leased	985	\$ 1,623 / mo	6/30/2024
155 S. Highway 101 Suite 7	Solana Beach	CA	Mortgage Sales	Leased	2,000	\$ 7,210 / mo	7/31/2026
44441 West 16th Street #101	Lancaster	CA	Mortgage Sales	Leased	2,115	\$ 2,015 / mo	1/31/2023
1420 Magnolia Ave	Oxnard	CA	Mortgage Sales	Leased	100	\$ 6,206 / mo	3/30/2024
							month to month
81 Broadmoor Ct.	Novato	CA	Mortgage Sales	Leased	100	\$ 1,000 / mo	month to month
625 The City Drive, Suite 450	Orange	CA	Mortgage Sales	Leased	2,485	\$ 6,461 / mo	12/31/2024
5475 Tech Center Dr., Suite 100	Colorado Springs	CO	Mortgage Sales	Leased	3,424	\$ 4,851 / mo	9/30/2023
27 Main St., Suite C-104B	Edwards	CO	Mortgage Sales	Leased	680	\$ 1,950 / mo	month to month
							month to month
4501 Mohawk Dr.	Larkspur	CO	Mortgage Sales	Leased	250	\$ 50 / mo	month to month
7800 E. Union Ave., Suite 550	Denver	CO	Mortgage Sales	Sub-Leased	4,656	\$ 11,446 / mo	2/28/2023
							month to month
5982 s Zeno Ct	Aurora	CO	Mortgage Sales	Leased	50	\$ - / mo	month to month
1145 Town Park Ave., Suite 2215	Lake Mary	FL	Mortgage Sales	Leased	5,901	\$ 13,484 / mo	2/28/2023
8191 College Parkway, Suite 201	Ft Myers	FL	Mortgage Sales	Leased	4,676	\$ 4,333 / mo	8/21/2024
113th St. N. and 82nd Ave. N.	Seminole	FL	Mortgage Sales	Leased	1,400	\$ 1,692 / mo	8/31/2023
2350 Fruitville Rd Ste, Ste 101	Sarasota	FL	Mortgage Sales	Leased	2,455	\$ 5,113 / mo	3/14/2026

921 Club House Blvd, New Smyrna Beach, 5237 Summerlin Commons Blvd.	Fort Myers	FL	Mortgage Sales	Leased	50	\$	- / mo	month to month to month to
10752 Deerwood Park Blvd South Waterview II, Suite 135, Office # 170	Jacksonville	FL	Mortgage Sales	Leased	100	\$	1,055 / mo	1/31/2023 month to
3331 Pasadena Court	Fort Myers	FL	Mortgage Sales	Leased	100	\$	- / mo	month
106 A Adamson Square	Carrolton	GA	Mortgage Sales	Leased	1,000	\$	1,750 / mo	10/31/2023

Item 2. Properties (Continued)

Street	City	State	Function	Owned / Leased	Approximate Square Footage	Lease Amount	Expiration
900 Cricle 75 Parkway, Ste 175	Atlanta	GA	Mortgage Sales	Leased	3,020	\$ 6,156 / mo	6/30/2026
6600 Peachtree Dunwoody Rd, Ste 135	Atlanta	GA	Mortgage Sales	Leased	2,129	\$ 4,843 / mo	3/31/2026
102 Mary Alice Park Road Suite 506	Cummings	GA	Mortgage Sales	Leased	1,190	\$ 1,813 / mo	12/31/2023
4370 Kukui Grove St., Suite 201	Lihue	HI	Mortgage Sales	Leased	864	\$ 1,498 / mo	2/28/2025
1001 Kamokila Blvd.	Kapolei	HI	Mortgage Sales	Leased	737	\$ 1,759 / mo	12/31/2025
32 Kinoole St. Suite 101, Hilo HI	Hilo	HI	Mortgage Sales	Leased	730	\$ 1,795 / mo	5/31/2023
1885 Main Street #108	Wailuku	HI	Mortgage Sales	Leased	1,092	\$ 1,602 / mo	5/14/2023
677 Ala Moana Blvd. Suite 609	Honolulu	HI	Mortgage Sales	Leased	716	\$ 2,076 / mo	1/31/2024
970 No Kalaheo Ave, Kailua, Suite A307, HI 96734	Kailua	HI	Mortgage Sales	Leased	510	\$ 1,173 / mo	5/31/2023
70 Kanoa Street Suite #140	Wailuku	HI	Mortgage Sales	Leased	UNK	\$ 300 / mo	month to month
315 Cece Way	Mccall	ID	Mortgage Sales	Leased	100	\$ - / mo	month to month
4622 Gap Creek Avenue	Caldwell	ID	Mortgage Sales	Leased	100	\$ - / mo	month to month
802 West Bartlett Road	Bartlett	IL	Mortgage Sales	Leased	2300	\$ 6,000 / mo	12/31/2023
568 Greenluster Dr.	Covington	LA	Mortgage Sales	Leased	150	\$ 750 / mo	month to month
81 Boulder Drive,	Elizabethtown	KY	Mortgage Sales	Leased	100	\$ - / mo	month to month
8684 Veterans Hwy, Ste 101	Millersville	MD	Mortgage Sales	Leased	4,018	\$ 6,725 / mo	7/31/2026
4987 Fall Creek Rd. Suite 1	Branson	MO	Mortgage Sales	Leased	700	\$ 1,000 / mo	month to month
4700 Homewood Ct #260	Raleigh	NC	Mortgage Sales	Leased	2,339	\$ 5,353 / mo	2/28/2025
2015 Ayrley Town Blvd, Suite 202-#256 & 258,	Charlotte	NC	Mortgage Sales	Leased	UNK	\$ 2,003 / mo	month to month
3115 Boone Trail	Fayetteville	NC	Mortgage Sales	Leased	1,000	\$ 3,000 / mo	month to month
2602 Camino Plata Loop NE	Rio Rancho	NM	Mortgage Sales	Leased	100	\$ - / mo	month to month
1980 Festival Plaza Dr., Suite 850	Las Vegas	NV	Mortgage Sales	Leased	12,866	\$ 45,031 / mo	3/31/2027
840 Pinnacle Ct., Suite 3	Mesquite	NV	Mortgage Sales	Leased	900	\$ 720 / mo	3/12/2022
2635 St. Rose Pkwy, Suites D 100, 110, 120	Henderson	NV	Mortgage Sales	Leased	5,788	\$ 12,281 / mo	9/30/2025
8720 Orion Place, Suite 160	Colombus	OH	Mortgage Sales	Leased	1,973	\$ 1,809 / mo	6/30/2023

3311 NE MLK Jr Blvd., Suite 203	Portland	OR	Mortgage Sales	Leased	1,400	\$ 875 / mo	month to month
10365 SE Sunnyside Rd., Suite 310	Clackamas	OR	Mortgage Sales	Leased	1,288	\$ 2,815 / mo	11/30/2024
11104 SE Stark St., Suite S	Portland	OR	Mortgage Sales	Sub-Leased	506	\$ 600 / mo	month to month
11592 SW Roundup Place	Terrebonne	OR	Mortgage Sales	Leased	100	\$ - / mo	month to month
110 Awendaw Way, 6263 Poplar Ave., Suite 900	Greenville	SC	Mortgage Sales	Leased	50	\$ - / mo	month to month
	Memphis	TN	Mortgage Sales	Leased Sub-	1,680	\$ 2,028 / mo	3/31/2023
144 Alf Taylor Rd.	Johnson City	TN	Mortgage Sales	Leased	1,521	\$ 800 / mo	month to month
347 Main St., Suite 200	Franklin	TN	Mortgage Sales	Leased	2,444	\$ 6,050 / mo	8/31/2025
820 N Church Street, 3027 Marina Bay Dr., Suite 200	Livingston	TN	Mortgage Sales	Leased	1,050	\$ 700 / mo	month to month
11550 Fuqua, Suite 200	League City	TX	Mortgage Sales	Leased	1,225	\$ 2,450 / mo	4/30/2023
1848 Norwood Plaza, Suite 213	Houston	TX	Mortgage Sales	Leased	1,865	\$ 3,264 / mo	4/30/2024
17347 Village Green Dr., Suite 102	Hurst	TX	Mortgage Sales	Sub-Leased	1,596	\$ 1,031 / mo	month to month
9737 Great Hills Trail, Suites 150, 200, 220	Houston	TX	Mortgage Sales	Sub-Leased	3,300	\$ 8,970 / mo	12/1/2024
1213 East Alton Gloor Blvd., Suite H	Austin	TX	Mortgage Sales	Leased	19,891	\$ 40,696 / mo	month to month
5020 Collinwood Ave., Suite 100	Brownsville	TX	Mortgage Sales	Leased	2,000	\$ 2,310 / mo	2/28/2024
2408 Jacaman Road, Suite F	Fort Worth	TX	Mortgage Sales	Leased	2,687	\$ 5,400 / mo	1/31/2025
1900 Country Club Dr., Suite 150	Laredo	TX	Mortgage Sales	Leased	UNK	\$ 945 / mo	6/1/2023
3220 Gus Thomasson Rd.	Mansfield	TX	Mortgage Sales	Leased	175	\$ 325 / mo	month to month
	Mesquite	TX	Mortgage Sales	Sub-Leased	130	\$ 1,000 / mo	month to month
722 Kiowa Dr. West	Lake Kiowa	TX	Mortgage Sales	Leased	150	\$ 495 / mo	month to month
124 N. Main St.	Mansfield	TX	Mortgage Sales	Sub-Leased	100	\$ 3,000 / mo	month to month
4411 W. Illinois, Suite B-4	Midland	TX	Mortgage Sales	Sub-Leased	100	\$ 1,700 / mo	month to month
23227 Red River Drive	Katy	TX	Mortgage Sales	Leased	144	\$ 750 / mo	month to month
6401 Eldorado Pkwy, Ste 313	Mckinnney	TX	Mortgage Sales	Sub-Leased	345	\$ 827 / mo	month to month
10000 North Central Expressway, Ste 400	Dallas	TX	Mortgage Sales	Leased	200	\$ 749 / mo	7/31/2023
5707 Cold Springs Drive	San Antonio	TX	Mortgage Sales	Leased	100	\$ - / mo	month to month
12258 Queenston Blvd, Suite A	Houston	TX	Mortgage Sales	Leased	1,300	\$ 4,000 / mo	month to month

825 Fairmont Parkway, Suite 100	Pasadena	TX	Mortgage Sales	Leased	3,052	\$ 3,000 / mo	month to month
4500 1-40 West, Suite B	Amarillo	TX	Mortgage Sales	Leased	1,238	\$ 1,600 / mo	11/30/2023
11525 S. Fry Road #106	Fulshear	TX	Mortgage Sales	Leased	UNK	\$ 800 / mo	month to month
30417 Fifth Street Suite B	Fulshear	TX	Mortgage Sales	Leased	1,000	\$ 1,000 / mo	month to month
1526 Katy Gap Road Units 503 & 504	Katy	TX	Mortgage Sales	Leased	2,400	\$ 5,390 / mo	2/29/2024
105 Hunters Lane, Suite 106	Friendswood	TX	Mortgage Sales	Leased	UNK	\$ 3,750 / mo	12/31/2023
590 W. State Street	Pleasant Grove	UT	Mortgage Sales	Leased	250	\$ 500 / mo	month to month
126 W. Segó Lily Dr., Suite 126	Sandy	UT	Mortgage Sales	Leased	2,794	\$ 6,781 / mo	1/31/2027
75 Towne Ridge Parkway, Suite 100	Sandy	UT	Mortgage Sales	Leased	6,867	\$ 17,712 / mo	8/31/2023
1133 North Main St., Suite 150	Layton	UT	Mortgage Sales	Sub- Leased	300	\$ 1,000 / mo	month to month

Item 2. Properties (Continued)

Street	City	State	Function	Owned / Leased	Approximate Square Footage	Lease Amount	Expiration
497 S. Main	Ephraim	UT	Mortgage Sales	Leased	1,884	\$ 1,600 / mo	4/30/2025
11240 S. River Heights Dr.	South Jordan	UT	Mortgage Sales	Leased	3,403	\$ 8,212 / mo	11/30/2024
500 East Village Blvd.	Stansbury Park	UT	Mortgage Sales	Leased	1,950	\$ 3,374 / mo	10/31/2024
833 N. 900 W.	Orem	UT	Mortgage Sales	Leased	2,391	\$ 3,198 / mo	1/31/2023
1350 E. 300 S. 3rd Floor	Lehi	UT	Mortgage Sales	Leased	15,446	\$ 37,276 / mo	12/22/2026
2455 E. Parleys Way, Suites 120 & 150	Salt Lake City	UT	Mortgage Sales	Leased	5,256	\$ 8,743 / mo	7/31/2030
859 W South Jordan Pkwy, Suite 101,	South Jordan	UT	Mortgage Sales	Leased	3,376	\$ 5,995 / mo	5/30/2025
558 E. Riverside Dr., Suite 204	St. George	UT	Mortgage Sales	Leased	1,685	\$ 2,235 / mo	8/31/2023
420 N. SR 198	Salem	UT	Mortgage Sales	Leased	1,000	\$ 1,200 / mo	month to month
768 S. 1600 W., Suite B	Mapleton	UT	Mortgage Sales	Leased	1,500	\$ 4,000 / mo	month to month
21430 Cedar Dr., Suite 200-202	Sterling	VA	Mortgage Sales	Leased	6,850	\$ 15,970 / mo	3/9/2024
15640 NE Fourth Plain Blvd., Suite 220/221	Vancouver	WA	Mortgage Sales	Leased	360	\$ 850 / mo	month to month
2701 Currant St.	Lynden	WA	Mortgage Sales	Leased	1,500	\$ 50 / mo	month to month
1508 24th Ave., Suite 23	Kenosha	WI	Mortgage Sales	Leased	250	\$ 150 / mo	month to month
27903 99th St.	Trevor	WI	Mortgage Sales	Leased	300	\$ 150 / mo	month to month
219 W. Washington St.	Charlestown	WV	Mortgage Sales	Leased	2,430	\$ 1,700 / mo	4/14/2023

The Company believes the office facilities it occupies are in good operating condition and adequate for current operations. The Company plans to enter into additional leases or modify existing leases based on its assessments of market demand. Those leases are expected to be month to month where possible. As leases expire, the Company plans to either renew or find comparable leases or acquire additional office space.

Item 2. Properties (Continued)

The following table summarizes the location and acreage of the seven Company owned cemeteries, each of which includes one or more mausoleums:

Name of Cemetery	Location	Date Acquired	Developed Acreage (1)	Net Saleable Acreage		
				Total Acreage (1)	Acres Sold as Cemetery Spaces (2)	Total Available Acreage (1)
Memorial Estates, Inc. Lakeview Cemetery	1640 East Lakeview Drive Bountiful, Utah	1973	9	39	8	31
Memorial Estates, Inc. Mountain View Cemetery	3115 East 7800 South Salt Lake City, Utah	1973	26	54	20	34
Memorial Estates, Inc. Redwood Cemetery (3)	6500 South Redwood Road West Jordan, Utah	1973	28	71	35	36
Deseret Memorial Inc. Lake Hills Cemetery	10055 South State Street Sandy, Utah	1991	9	28	6	22
Holladay Memorial Park, Inc. Holladay Memorial Park (3)	4900 South Memory Lane Holladay, Utah	1991	12	14	7	7
California Memorial Estates, Inc. Singing Hills Memorial Park (4)	2800 Dehesa Road El Cajon, California	1995	8	97	6	91
SNR-SF Cemetery LLC Santa Fe Memorial Gardens (5)	417 Rodeo Rd Santa Fe, New Mexico	2021	5	5	4	1

(1) The acreage represents estimates of acres that are based upon survey reports, title reports, appraisal reports, or the Company's inspection of the cemeteries. The Company estimates that there are approximately 1,200 spaces per developed acre.

(2) Includes both reserved and occupied spaces.

(3) Includes two granite mausoleums.

(4) Includes an open easement.

(5) Includes five main columbariums that can hold approximately 6,000 inurnments.

Item 2. Properties (Continued)

The following table summarizes the location, square footage and the number of viewing rooms and chapels of the twelve Company owned mortuaries:

Name of Mortuary	Location	Date Acquired	Viewing Room(s)	Chapel(s)	Square Footage
Memorial Mortuary, Inc. Memorial Mortuary	5850 South 900 East, Murray, Utah	1973	3	1	20,000
Affordable Funerals and Cremations, St. George	157 East Riverside Dr., No. 3A, St. George, Utah	2016	1	1	2,360
Memorial Estates, Inc. Redwood Mortuary (1)	6500 South Redwood Rd., West Jordan, Utah	1973	2	1	10,000
Memorial Estates, Inc. Mountain View Mortuary (1)	3115 East 7800 South, Salt Lake City, Utah	1973	2	1	16,000
Memorial Estates, Inc. Lakeview Mortuary (1)	1640 East Lakeview Dr., Bountiful, Utah	1973	0	1	5,500
Deseret Memorial Inc. Lakehills Mortuary (1)	10055 South State St., Sandy, Utah	1991	2	1	18,000
Cottonwood Mortuary, Inc. Cottonwood Mortuary	4670 South Highland Dr., Holladay, Utah	1991	2	1	14,500
SN Probst LLC Heber Valley Funeral Home	288 North Main St., Heber City, Utah	2019	1	1	5,900
SN Holbrook LLC Milcreek Funeral Home	3251 S 2300 E, Millcreek, Utah	2021	2	1	6,300
SNR-SF Mortuary LLC Rivera Family Funeral Home Santa Fe (1)	417 Rodeo RD, Santa Fe, New Mexico	2021	2	1	7,700
SNR-Espanola LLC Rivera Family Funeral Home Española	305 Calle Salazar, Española, New Mexico	2021	1	2	10,400
SNR-Taos LLC Rivera Family Funeral Home Taos	818 Paseo Del Pueblo Sur, Taos, New Mexico	2021	0	1	9,600

(1) These funeral homes also provide burial niches at their respective locations.

Item 3. Legal Proceedings

The Company is not a party to “Employee” shall mean 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 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for the Registrant’s Common Stock, Related Stockholder Matters, and Issuer Purchases of Equity Securities**

The Company’s Class A common stock trades on The Nasdaq Global Select Market under the symbol “SNFCA.” As of March 27, 2023, the closing stock price of the Class A common stock was \$6.09 per share. As of March 27, 2023, there were 1,801 registered stockholders of record of the Company’s Class A common stock and 44 registered stockholders of record of the Company’s Class C common stock. Because many of the Company’s shares of Class A common stock are held by brokers and other institutions on behalf of the stockholders, the Company is unable to estimate the total number of stockholders represented by these record holders.

The following were the high and low market closing stock prices for the Class A common stock by quarter as reported by NASDAQ since January 1, 2021:

Period (Calendar Year)	Price Range (1)	
	High	Low
2021		
First Quarter	\$ 9.56	\$ 7.69
Second Quarter	\$ 8.69	\$ 7.06
Third Quarter	\$ 8.86	\$ 7.68
Fourth Quarter	\$ 9.17	\$ 7.81
2022		
First Quarter	\$ 9.86	\$ 8.53
Second Quarter	\$ 9.87	\$ 7.84
Third Quarter	\$ 8.61	\$ 6.23
Fourth Quarter	\$ 7.57	\$ 6.10
2023		
First Quarter (through March 27, 2023)	\$ 7.55	\$ 6.00

(1) Stock prices have been adjusted retroactively for the effect of annual stock dividends.

The Class C common stock is not registered or traded on a national exchange. See Note 12 of the Notes to Consolidated Financial Statements.

The Company has never paid a cash dividend on its Class A or Class C common stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C common stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position employee of the Company or any Subsidiary and any prospective employee conditioned upon, and effective not earlier than, such other factors as the Board person’s becoming an employee of Directors may deem appropriate. The Company paid a 5% stock dividend on Class A and Class C common stock each year from 1990 through 2019, a 7.5% stock dividend for year 2020, and a 5.0% stock dividend for the years 2021 and 2022.

On December 27, 2022, the Company executed a 10b5-1 agreement with a broker to repurchase the Company's Class A Common Stock. Under the terms of the agreement, the broker is permitted to repurchase up to \$1,000,000 of the Company's Class A Common Stock. 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 and may be amended with written consent. The purchases under the 10b5-1 agreement are subject to the 2020 amended stock repurchase plan or any Subsidiary.

The following table shows the Company's repurchase activity of its common stock during the three months ended December 31, 2022 under its Stock Repurchase Plan.

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 of Class A Shares that May Yet Be Purchased Under the Plan or Program (2)
10/1/2022-10/31/2022	9,829	\$ 6.32	-	433,349
11/1/2022-11/30/2022	10,920	\$ 6.54	-	422,429
12/1/2022-12/31/2022	39,222	\$ 6.47	-	383,207
Total	59,971	\$ 6.45	-	383,207

(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.

The graph below compares the cumulative total stockholder return of the Company’s Class A common stock with the cumulative total return on the Standard & Poor’s 500 Stock Index and the Standard & Poor’s Insurance Index for the period from December 31, 2018 through December 31, 2022. The graph assumes that the value of the investment in the Company’s Class A common stock and in each of the indexes was \$100 at December 31, 2018 and that all dividends were reinvested. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of the Company’s Class A common stock.



	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
SNFC	100	119	183	212	176
S & P 500	100	129	149	190	153
S & P Insurance	100	87	110	137	148

The stock performance graph set forth above is required by the Securities and “Exchange Commission and Act” shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Form 10-K into any filing under the Securities Act of 1933, as amended, or under mean the Securities Exchange Act of 1934, as amended.

“Fair Market Value” shall mean, with respect to any property other than Shares, the market value of such property determined by such methods or procedures as shall be established from time to time by the Administrator. The Fair Market Value of Shares as of any date shall be the closing trading price of the Shares as reported on the NASDAQ Global Market on that date (or if there were no reported closing prices on such date, on the last preceding date as of which the closing price per Share was reported) or, if the Company is not then listed on the NASDAQ Global Market, on such other principal securities exchange on which the Shares are traded. If the Company is not listed on the NASDAQ Global Market or any other securities exchange, the Fair Market Value of Shares shall be determined by the Administrator in good faith using such criteria as it determines in its discretion, and such determination shall be conclusive and binding on all persons.

“Freestanding Stock Appreciation Right” shall have the meaning set forth in Section 6.1.

“Grant Date” shall mean the date on which the Administrator adopts a resolution, or takes other appropriate action, expressly granting an Award to a Participant that specifies the material terms and conditions of the Award or, if a later date is set forth in such resolution, then such later date as is set forth in such resolution.

“Incentive Stock Option” shall mean an Option that is designated by the Administrator as an incentive stock option within the meaning of Section 422 of the Code and that meets the requirements set out in the Plan.

“Incumbent Directors” shall have the meaning set forth in Section 11.4(a).

“Non-qualified Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

“Non-qualifying Transaction” shall have the meaning set forth in Section 11.4(c).

“Option” shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Administrator shall determine.

“Option Exercise Price” shall mean the price at which a Share may be purchased upon the exercise of an Option.

“Other Plan” shall mean the Security National Financial Corporation Amended and Restated 2014 Director Stock Option Plan.

“Other Share-Based Award” shall mean an Award that (i) is not an Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit, (ii) is granted under Section 9; and (iii) is payable by delivery of Shares and/or which is measured by reference to the value of Shares.

“Participant” shall mean an Employee, Consultant or Director who is selected by the Administrator to receive an Award under the Plan.

“Payee” shall have the meaning set forth in Section 13.1.

“Performance Award” shall mean any Award the exercisability, vesting, payment or settlement of which is subject to or conditioned upon satisfaction in whole or in part of specific Performance Goals established by the Administrator and set forth in the applicable Award Agreement. For clarity, Options and other Awards that become exercisable, vest, or otherwise are earned and become payable based solely on conditions relating to Continuous Service are not Performance Awards.

“Performance Goals” shall mean, as to a Performance Award, the specified levels of attainment of designated Performance Measures established by the Administrator and set forth in the applicable Award Agreement at which the Performance Award will vest, become exercisable, or otherwise become payable or earned.

“*Performance Measures*” shall mean the measures or criteria that the Administrator shall select for purposes of establishing the performance-based conditions for a Performance Award. The Performance Measures may be based on the attainment of specific levels of performance of the Company (or any Subsidiary, division, business unit or operational unit of the Company) and may include the following: (i) net earnings or net income (before or after taxes); (ii) basic or diluted earnings per share (before or after taxes); (iii) net revenue or net revenue growth; (iv) gross revenue, gross profit or gross profit growth; (v) net operating profit (before or after taxes); (vi) return on assets, capital, invested capital, equity, or sales; (vii) cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital); (viii) earnings before or after taxes, interest, depreciation and/or amortization; (ix) gross or operating margins; (x) improvements in capital structure; (xi) budget and expense management; (xii) productivity ratios; (xiii) economic value added or other value added measurements; (xiv) Share price (including, but not limited to, growth measures and total shareholder return); (xv) expense targets; (xvi) margins; (xvii) operating efficiency; (xix) working capital targets; (xx) enterprise value; and (xxi) completion of acquisitions or business expansions.

“*Performance Stock Unit*” shall have the meaning set forth in Section 8.1.

“*Permitted Assignee*” shall have the meaning set forth in Section 12.3.

“*Plan*” shall mean the Security National Financial Corporation 2022 Equity Incentive Plan, as amended **except** from time to time.

“*Prior Plan*” shall mean the Security National Financial Corporation Amended and Restated 2013 Stock Option and Other Equity Incentive Awards Plan.

“*Related Right*” shall have the meaning set forth in Section 6.1.

“*Restricted Stock*” shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge or assign such Share and with such other restrictions as the Administrator, in its sole discretion, may impose (including any restriction on the right to vote such Share and the right to receive any dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, or upon the attainment of such specified Performance Goals as the Administrator may deem appropriate.

“*Restricted Stock Award*” shall have the meaning set forth in Section 7.1.

“*Restricted Stock Unit*” shall mean an Award of a contractual right to a future payment that is valued by reference to a Share, which value may be paid to the Participant in Shares or cash as determined by the Administrator in its sole discretion upon the satisfaction of such vesting restrictions as the Administrator may establish, which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Administrator may deem appropriate.

“*Restricted Stock Unit Award*” shall have the meaning set forth in Section 8.1.

“*Shares*” shall mean Class A Shares and Class C Shares.

“*Stock Appreciation Right*” shall mean the right granted to a Participant pursuant to Section 6.

“*Subcommittee*” shall mean a subcommittee of the Committee designated by the Committee under Section 4.2(c) of the Plan.

“*Subsidiary*” shall mean any (i) corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing more than 50% of the total combined voting power of all classes of stock in one of the other corporations in the chain; and (ii) any other entity in which the Company has a greater than 50% direct or indirect voting and economic equity interest.

“*Substitute Awards*” shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

“*Ten Percent Shareholder*” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its Subsidiaries.

“*Vesting Period*” shall have the meaning set forth in Section 7.1 in the case of Restricted Stock or Section 8.1 in the case of Restricted Stock Units, as applicable.

“*Vested Unit*” shall have the meaning set forth in Section 8.5.

3.SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to adjustment as provided in Section 12.2, a total of one million (1,000,000) Shares shall be authorized for grant and issuance under the Plan. Any Shares that are subject to Awards of Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share granted. Any Shares that are subject to Awards other than Options or Stock Appreciation Rights shall be counted against this limit as two (2) Shares for every one (1) Share granted.

(b) If any Shares subject to an Award under this Plan are forfeited or any Options awarded under this Plan expire unexercised, the Shares underlying such Award shall, to the extent of such forfeiture or expiration, again be available for Awards under the Plan, subject to Section 3.1(d) below. For clarity, the following Shares shall not be added to the Shares authorized for grant under Section 3.1(a): (i) Shares tendered by the Participant or withheld by the Company in payment of the purchase price of an Option, (ii) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award, (iii) Shares repurchased by the Company with Option proceeds, (iv) Shares subject to a Stock Appreciation Right that are not issued in connection with the settlement of the Stock Appreciation Right on exercise thereof; (v) Shares authorized for issuance or subject to awards under the Prior Plan, including Shares subject to awards under the Prior Plan which are forfeited or expire unexercised under the Prior Plan; and (vi) Shares authorized for issuance or subject to awards under the Other Plan, including Shares subject to awards under the Other Plan which are forfeited or expire unexercised under the Other Plan.

(c) Substitute Awards shall not reduce the Shares authorized for grant under the Plan or authorized for grant to a Participant in any calendar year.

(d) Any Shares that again become available for grant pursuant to this Section 3.1 shall be added back as one (1) Share if such Shares were subject to Options or Stock Appreciation Rights granted under the Plan, or as two (2) Shares if such Shares were subject to Awards other than Options or Stock Appreciation Rights granted under the Plan.

3.2. Character of Shares. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued Shares, treasury Shares or Shares purchased in the open market or otherwise. The Administrator shall determine in connection with each Award whether the underlying Shares are Class A Shares or Class C Shares.

4. ELIGIBILITY AND ADMINISTRATION

4.1. Eligibility. The persons eligible to receive Awards are the Employees, Consultants and Directors of the Company and its Subsidiaries.

4.2. Administration.

(a) The Plan shall be administered by the Administrator. To the extent required, necessary or desirable to satisfy applicable laws, including to satisfy the requirements for exemption under Rule 16b-3, the Administrator shall be the Committee. Subject to the foregoing and the other provisions of the Plan, (x) the Board may delegate authority to the Committee to make recommendations to the Board on any or all aspects of administering the Plan while the Board retains all of the authority of the Administrator, and (y) different Administrators (e.g., the Board and the Committee) may administer the Plan with respect to different groups of Participants. Subject to Section 4.2(c) below, the other provisions of the Plan and such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, the Administrator shall have full power and authority to: (i) select the Employees, Consultants and Directors to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Awards, not inconsistent with the provisions of the Plan, to be granted to each Participant hereunder; (iii) determine the number and class of Shares to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder, including conditions on exercisability and vesting; (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other property and other amounts payable with respect to an Award made under the Plan shall be deferred either automatically or at the election of the Participant; (vii) determine whether, to what extent and under what circumstances any Award shall be canceled or suspended; (viii) interpret and administer the Plan and any instrument or agreement entered into under or in connection with the Plan, including any Award Agreement; (ix) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent that the Company specifically incorporates this information by reference; Administrator shall deem desirable to carry it into effect; (x) establish such rules and regulations and appoint such agents as it shall not otherwise be deemed soliciting material or filed under such acts.

Item 6. [Reserved]

As a smaller reporting company, deem appropriate for the proper administration of the Plan and authorize any person to execute, on behalf of the Company, is not any instrument required to provide information typically disclosed under this item. carry out the purposes of the Plan; (xi) determine whether any Award, other than an Option or Stock Appreciation Right, will have Dividend Equivalents; (xii) determine whether any Option is intended to be treated as an Incentive Stock Option or Non-qualified Stock Option; (xiii) accelerate, on a case-by-case basis, the exercisability or vesting of a Participant's Awards, in whole or in part, upon such Participant's death, Disability or other termination of Continuous Service occurring at least one year after the Grant Date of the Award; (xiv) extend, on a case-by-case basis, the period during which a Participant's Options can be exercised upon such Participant's death, Disability or other termination of Continuous Service; provided that the extension will not allow any Option to be exercised after the Option's original expiration date; (xv) make all determinations for purposes of the Plan with respect to the occurrence, time and basis of any termination of a Participant's Continuous Service; (xvi) determine the Performance Measures, performance periods and Performance Goals, if any, that apply to vesting, exercisability or settlement of a Performance Awards, the degree to which the applicable Performance Goals have been timely attained, and the portion of any Performance Award that has become vested, exercisable, earned or payable; (xvii) make decisions with respect to outstanding Awards that may become necessary upon a Change in Control or an event that triggers anti-dilution adjustments; and (xviii) exercise full discretion and make any other determinations and take any other action that the Administrator deems necessary or desirable for administration of the Plan.

Item 7. Management's Discussion (b) Decisions of the Administrator shall be final, conclusive and Analysis binding on all persons, including the Company, any Participant, and any Subsidiary. A Participant or other holder of Financial Condition an Award may contest a decision or action of the Administrator with respect to such person or Award only on the grounds that such decision is arbitrary and Results capricious or unlawful, and any review of Operations such decision or action shall be limited to determining whether the Administrator's decision or action was arbitrary and capricious or unlawful.

Overview

(c) The Company's operations over Administrator, or the last several years generally reflect three strategies full Committee to the extent it has been delegated the authority by the Board or otherwise has the authority pursuant to the Plan, may also delegate to a Subcommittee the right to authorize the grant of Options to Employees who are not directors or officers of the Company and the authority to take action on behalf of the Committee pursuant to the Plan to cancel or suspend Awards to Employees who are not directors or officers of the Company. Additionally, to the extent not inconsistent with applicable law and the rules and regulations of any securities exchange on which the Company expects to continue: (i) increased attention to "niche" insurance products, such as Company's Shares are traded, the Company's funeral plan policies and traditional whole life products; (ii) increased emphasis on cemetery and mortuary business; and (iii) capitalizing on the housing market by originating mortgage loans. The Company has adjusted its strategies to respond to the changing economic circumstances resulting from COVID-19.

Insurance Operations

The following table shows the condensed financial results for the Company's insurance operations for the years ended December 31, 2022 and 2021. See Note 15 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)		
	2022	2021	2022 vs 2021 % Increase (Decrease)
Revenues from external customers:			
Insurance premiums	\$ 105,002	\$ 100,255	5 %
Net investment income	62,565	56,092	12 %
Gains (losses) on investments and other assets	(459)	4,555	(110 %)
Other than temporary impairments	-	(40)	100 %
Other	2,075	2,152	(4 %)
Total	\$ 169,183	\$ 163,014	4 %
Intersegment revenue	\$ 6,601	\$ 7,570	(13 %)
Earnings before income taxes	\$ 14,196	\$ 14,973	(5 %)

Intersegment revenues for the Company's insurance operations were comprised primarily of interest income from the warehouse lines provided Administrator may delegate in writing to the Company's mortgage lending affiliates Chief Executive Officer, so long as he is also a director of the Company, any of the authority of the Administrator under the Plan to fund loans held grant Options to such Employees and on such Plan-compliant terms as are determined by the Chief Executive Officer, other than to Employees who are officers or other persons subject to Section 16(b) of the Exchange Act. Any such delegation of authority shall be revocable prospectively by the Administrator at any time and shall be subject to such limitations, including on the number of Options that can be granted in a specified period, and procedures as the Administrator may specify.

(d) Any action within the scope of its or his authority by a Subcommittee or the Chief Executive Officer under Section 4.2(c) shall be deemed for sale. Profitability for 2022 decreased due all purposes under the Plan to (a) a \$4,974,000 decrease in gains on investments have been taken by the full Committee or Administrator and other assets primarily due to a decrease references in the fair value of equity securities, (b) a \$3,345,000 increase in selling, general and administrative expenses, (c) a \$2,596,000 increase in future policy benefits, (d) a \$1,741,000 increase in amortization of deferred policy acquisition costs primarily due to an increase in the average outstanding balance of deferred policy and pre-need acquisition costs, (e) a \$1,641,000 increase in interest expense, (f) a \$968,000 decrease in intersegment revenue, and (g) a \$220,000 decrease in other revenues, which were partially offset by (i) a \$6,473,000 increase in net investment income, (ii) a \$4,890,000 increase in insurance premiums and other considerations, (iii) a \$3,152,000 decrease in death, surrenders and other policy benefits, and (iv) a \$193,000 decrease in intersegment interest expense and other expenses.

In response Plan to the COVID-19 pandemic, "Committee" or "Administrator" shall be deemed to include the Company's life insurance sales force began using virtual and tele sales processes to market products. During Subcommittee or the third quarter 2021, Chief Executive Officer acting within the life insurance sales force returned to in person sales, however, it continues to use virtual and tele sales where needed. Currently, approximately 75% scope of insurance operations office staff work in its or his delegated authority under Section 4.2(c), as applicable, unless the office with the flexibility for hybrid-remote or completely remote working arrangements as needed.context otherwise requires.

Cemetery (e) The Administrator shall act pursuant to a vote of the majority of its members or, in the case of a Committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members and **Mortuary Operations**

The following table shows minutes shall be kept of all of its meetings and copies thereof shall be provided to the **condensed financial results** Board. Subject to the limitations prescribed by the Plan and the Board, the Administrator may establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

5.OPTIONS

5.1. Grant of Options. Options may be granted hereunder to Participants either alone or in addition to other Awards under the Plan. Any Option shall be subject to the terms and conditions of this Article 5 and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Administrator shall deem desirable.

5.2. Award Agreements. All Options granted pursuant to this Article 5 shall be evidenced by a written Award Agreement in such form and containing such terms and conditions as the Administrator shall determine which are not inconsistent with the provisions of the Plan. All Options shall be separately designated as Incentive Stock Options or as Non-qualified Stock Options at the time of grant in the Award Agreement. The terms of Options need not be the same with respect to each Participant. Granting an Option pursuant to the Plan shall impose no obligation on the recipient to exercise such Option. Any individual who is granted an Option pursuant to this Article may hold more than one Option granted pursuant to the Plan at the same time.

5.3. Option Exercise Price.

(a) The Option Exercise Price per Share purchasable under any Option shall not be less than 100% of the Fair Market Value of such Share on the Grant Date of such Option. Notwithstanding the foregoing, an Option may be granted with an Option Exercise Price lower than that set forth in the preceding sentence if such Option is a Substitute Award granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 409A of the Code, and Option Exercise Prices may be adjusted as provided in Section 12.2.

(b) Other than pursuant to Section 12.2, the Administrator shall not without the approval of the Company's **cemetery** shareholders: (a) lower the Option Exercise Price per Share of an Option after it is granted; (b) cancel an Option when the Option Exercise Price per Share exceeds the Fair Market Value of the underlying Shares in exchange for another Award (other than in connection with Substitute Awards); or (c) take any other action with respect to an Option that may be treated as a repricing under the rules and **mortuary operations** regulations of the NASDAQ Global Market (or such other principal securities market on which the Shares in question are traded).

5.4. Option Term and Vesting.

(a) The term of each Option shall be fixed by the Administrator in its sole discretion; provided that no Option shall be exercisable after the expiration of ten (10) years from the Option's Grant Date, except in the event of death or Disability.

(b) Each Option shall be subject to such terms and conditions on the time or times when it may be exercised (which conditions may be based on Continuing Service, Performance Goals or a combination thereof) as the Administrator may deem appropriate and set forth in the applicable Award Agreement. The vesting provisions of individual Options may vary from Award to Award.

5.5. Exercise of Options. Vested Options granted under the Plan shall be exercised by the Participant or by a Permitted Assignee thereof (or by the Participant's executors, administrators, guardian or legal representative, as may be provided in an Award Agreement) as to all or any part of the Shares covered thereby, by the giving of written notice of exercise to the Company or its designated agent, specifying the number of Shares to be purchased, accompanied by payment of the full Option Exercise Price for the years ended December 31, 2022 Shares being purchased. Unless otherwise provided in an Award Agreement, full payment of such Option Exercise Price plus any applicable withholding taxes shall be due and 2021. See Note 15 payable in full at the time of exercise and shall be made (a) by certified check or bank check or wire transfer of immediately available funds; or (b) if permitted by the applicable Award Agreement or otherwise with the consent of the Notes Administrator in its discretion, and to Consolidated Financial Statements, the extent permitted by applicable statutes and regulations: (i) by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value) provided such previously acquired Shares have been held for more than six months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes), (ii) by withholding Shares otherwise issuable in connection with the exercise of the Option; (iii) through a "cashless" exercise program established with a broker, (iv) by any combination of any of the foregoing, or (v) through delivery of any other form of legal consideration that may be acceptable to the Administrator. The notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Administrator may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Administrator may from time to time prescribe. In no event may any Option granted hereunder be exercised for a fraction of a Share. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance of the underlying Shares. Notwithstanding any provision to the contrary, during any period for which the Class A Shares are publicly traded (i.e., the Class A Shares are listed on any established stock exchange or a national market system) an exercise by a Director or Officer that involves or may involve a direct or indirect extension of credit or arrangement of an extension of credit by the Company, directly or indirectly, in violation of Section 402(a) of the Sarbanes-Oxley Act of 2002 shall be prohibited with respect to any Award under this Plan.

	Years ended December 31 (in thousands of dollars)		
	2022	2021	2022 vs 2021 % Increase (Decrease)
Revenues from external customers:			
Cemetery revenues	\$ 13,871	\$ 15,626	(11 %)
Mortuary revenues	13,123	8,371	57 %
Net investment income	2,445	1,654	48 %
Gains (losses) on investments and other assets	(796)	1,512	(153 %)
Other	305	100	205 %
Total	<u>\$ 28,948</u>	<u>\$ 27,263</u>	<u>6 %</u>
Earnings before income taxes	<u>\$ 6,094</u>	<u>\$ 7,925</u>	<u>(23 %)</u>

Profitability **5.6. Form of Settlement.** In its sole discretion, the Administrator may provide, at the time of grant, that the Shares to be issued upon an Option's exercise shall be in 2022 decreased the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

5.7. Incentive Stock Options. The Administrator may grant Options intended to qualify as Incentive Stock Options to any employee of the Company or any Subsidiary corporation, subject to the requirements of Section 422 of the Code. Solely for the purposes of determining whether Shares are available for the grant of Incentive Stock Options under the Plan, the maximum aggregate number of Shares with respect to which Incentive Stock Options may be issued under the Plan shall be one million (1,000,000) Class A Shares, subject to adjustment under Section 12.2. Additionally, a Ten Percent Shareholder shall not be granted an Incentive Stock Option unless the Option Exercise Price is at least 110% of the Fair Market Value of the underlying Shares at the Grant Date and the Option is not exercisable after the expiration of five years from the Grant Date. To the extent that the aggregate Fair Market Value (determined at the Grant Date) of Shares with respect to which Incentive Stock Options are exercisable for the first time by any Employee during any calendar year (under all plans of the Company and its Subsidiaries) exceeds \$100,000, the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Non-qualified Stock Options regardless of any designation in an Award Agreement to be treated as Incentive Stock Options. Any Participant who shall make a “disposition” (as defined in Section 424 of the Code) of all or any portion of Shares acquired upon exercise of an Incentive Stock Option within two (2) years from the date of grant of such Incentive Stock Option or within one (1) year after the issuance of Shares acquired upon exercise of such Incentive Stock Option shall be required to immediately advise the Company in writing as to the occurrence of the sale and the price realized upon the sale of such Shares.

5.8. Effect of Termination of Continuous Service. Unless otherwise provided in the applicable Award Agreement or approved by the Administrator, in the event a Participant’s Continuous Service terminates (other than upon the Participant’s death or Disability), the Participant may exercise the Participant’s vested Options (to the extent that the Participant was entitled to exercise such Options as of the date of termination) but only within such period of time ending on the earlier of (a) the date three months following the termination of the Participant’s Continuous Service, or (b) the expiration of the term of the Option as set forth in the Award Agreement; provided that, if the termination of Continuous Service is for Cause, all outstanding Options (whether or not otherwise vested) shall immediately terminate and cease to be exercisable. If, after termination of Continuous Service, the Options are not timely exercised, the Options shall automatically terminate. In the event that a Participant’s Continuous Service terminates on account of his or her death or Disability, the Participant or his or her successors in interest may exercise the Participant’s vested Options (to the extent that the Participant was entitled to exercise such Options as of the date of termination) but only within such period of time ending on the earlier of (i) the date that is one year following the termination of the Participant’s Continuous Service, or (ii) the expiration of the term of the Option as set forth in the Award Agreement.

6. STOCK APPRECIATION RIGHTS

6.1. Grant and Exercise. The Administrator may award Stock Appreciation Rights to a Participant: (a) in conjunction with all or part of any Option granted under the Plan or at any subsequent time during the term of such Option (a “*Related Right*”); (b) in conjunction with all or part of any Award (other than an Option) granted under the Plan or at any subsequent time during the term of such Award; or (c) without regard to any Option or other Award (a “*Freestanding Stock Appreciation Right*”), in each case upon such terms and conditions as the Administrator may establish in its sole discretion.

6.2. Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Administrator, including the following:

(a) Each Stock Appreciation Right shall be subject to such terms and conditions on the time or times when it may be exercised (which conditions may be based on Continuing Service, Performance Goals, or a combination thereof) as the Administrator may deem appropriate and set forth in the applicable Award Agreement. The vesting provisions of individual Stock Appreciation Rights may vary from Award to Award; provided, that, in no event shall a Stock Appreciation Right be exercisable prior to the one-year anniversary of the Stock Appreciation Right's Grant Date, except as provided in Section 11 of the Plan.

(b) Upon the exercise of a Stock Appreciation Right, the holder shall have the right to receive the excess of: (i) the Fair Market Value of one Share on the date of exercise, over (ii) a designated base value per Share (the "*Base Amount*") with respect to the right on the applicable Grant Date (or in the case of a Related Right on the Grant Date of the related Option) as specified by the Administrator in its sole discretion and set forth in the applicable Award Agreement, which Base Amount per Share, except in the case of Substitute Awards or in connection with an adjustment provided in Section 12.2, shall not be less than the Fair Market Value of one Share on the Grant Date of the right or the related Option, as the case may be.

(c) Upon the exercise of a Stock Appreciation Right, the Administrator shall determine in its sole discretion whether payment shall be made in whole Shares, in cash or other property, or any combination thereof.

(d) Any Related Right may be granted at the same time as the related Option is granted or at any time thereafter before exercise or expiration of such Option.

(e) Any Related Right may be exercised only when the related Option would be exercisable and the Fair Market Value of the Shares subject to the related Option exceeds the Option Exercise Price at which Shares can be acquired pursuant to the Option. In addition, (i) if a Related Right exists with respect to less than the full number of Shares covered by a related Option, then an exercise or termination of such Option shall not reduce the number of Shares to which the Related Right applies until the number of Shares then exercisable under such Option equals the number of Shares to which the Related Right applies, and (ii) no Related Right granted under the Plan to a person then subject to Section 16 of the Exchange Act shall be exercised during the first six (6) months of its term for cash, except as provided in Article 11.

(f) Any Option related to a Related Right shall no longer be exercisable to the extent the Related Right has been exercised.

(g) The provisions of Stock Appreciation Rights need not be the same with respect to each recipient.

(h) The Administrator may impose such other conditions or restrictions on the terms of exercise and the exercise price of any Stock Appreciation Right, as it shall deem appropriate. Notwithstanding the foregoing provisions of this Section 6.2(h), but subject to Section 12.2, a Stock Appreciation Right shall have the same terms and conditions as Options, including (i) a Base Amount per Share not less than Fair Market Value of a Share on the applicable Grant Date, and (ii) a term not greater than ten (10) years. In addition to the foregoing, but subject to Section 12.2, the Administrator shall not without approval of the Company's shareholders (A) reduce the Base Amount per Share under any Stock Appreciation Right after it is granted, (B) cancel a Stock Appreciation Right when the Base Amount per Share exceeds the Fair Market Value of the underlying Shares in exchange for another Award (other than in connection with Substitute Awards), or (C) take any other action with respect to a Stock Appreciation Right that may be treated as a repricing under the rules and regulations of the NASDAQ Global Market (or such other principal securities market on which the Shares are traded).

(i) The Administrator may impose such terms and conditions on Stock Appreciation Rights granted in conjunction with any Award (other than an Option) as the Administrator shall determine in its sole discretion.

7. RESTRICTED STOCK AWARDS

7.1. Grants. Shares may be awarded under the Plan to Participants as Restricted Stock either alone or in addition to other Awards granted under the Plan (a “*Restricted Stock Award*”). Restricted Stock Awards consist of grants of actual outstanding Shares on the applicable Grant Date. A Restricted Stock Award shall be subject to vesting restrictions imposed by the Administrator covering a period of time (“*Vesting Period*”) specified by the Administrator and may also be subject in whole or in part to additional performance-based vesting conditions designated by the Administrator. A Restricted Stock Award subject to Performance Goal vesting conditions may be denominated as “performance shares.” The Administrator has absolute discretion to determine whether any consideration (other than services) is to be received by the Company or any Subsidiary as a condition precedent to the issuance of shares of Restricted Stock.

7.2. Award Agreements. The terms of any Restricted Stock Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Administrator and not inconsistent with the Plan. The terms of Restricted Stock Awards need not be the same with respect to each Restricted Stock Award. Each Participant granted Restricted Stock shall execute and deliver to the Company an Award Agreement with respect to the Restricted Stock. If the Administrator determines that the Restricted Stock shall be held by the Company or in escrow rather than delivered to the Participant pending the release of the applicable restrictions, the Administrator may require the Participant to additionally execute and deliver to the Company (a) an escrow agreement satisfactory to the Administrator, and (b) the appropriate blank stock power with respect to the Restricted Stock covered by such agreement. If a Participant fails to execute within such time as the Administrator requires an Award Agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and stock power, the Award shall be null and void.

7.3. *Rights of Holders of Restricted Stock.*

(a) Beginning on the Grant Date of the Restricted Stock Award and subject to execution of the Award Agreement, the Participant shall become a shareholder of the Company with respect to all Shares subject to the applicable Award Agreement and shall have all of the rights of a shareholder, including the right to vote such Shares and the right to receive distributions made with respect to such Shares; provided that, except as otherwise provided in an Award Agreement, any cash, Shares or any other property distributed as a dividend or otherwise with respect to any Restricted Stock as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Stock. Any provision herein to the contrary notwithstanding, unless otherwise provided in the applicable Award Agreement, cash dividends or with respect to any Restricted Stock Award and any other property (including additional Shares) distributed as a dividend or otherwise with respect to any Restricted Stock Award shall be: (i) accumulated subject to restrictions and risk of forfeiture to the same extent as the underlying Restricted Stock with respect to which such cash, Shares or other property has been distributed; and (ii) either (A) paid to the Participant at the time such restrictions and risk of forfeiture lapse or (B) forfeited to the extent the underlying Restricted Stock is forfeited.

(b) Shares awarded to a Participant as Restricted Stock shall be subject to the following restrictions until the expiration of the applicable Vesting Period, and to such other terms and conditions as may be set forth in the applicable Award Agreement: (i) if an escrow arrangement is used, the Participant shall not be entitled to delivery of the stock certificate representing the Restricted Stock; (ii) the Shares shall be subject to the restrictions on transferability set forth in the Award Agreement; (iii) the Shares shall be subject to forfeiture to the extent provided in the applicable Award Agreement; and (iv) to the extent such Shares are forfeited, the applicable stock certificates shall be returned to the Company, and all rights of the Participant to such Shares and as a shareholder with respect to such Shares shall immediately terminate without further obligation on the part of the Company. Any certificate representing Restricted Stock awarded under the Plan shall bear a legend in such form as the Company deems appropriate.

7.4. *Vesting.* Restricted Stock Awards shall be subject to such terms and conditions on the time or times when they vest (which conditions may be based on Continuing Service, Performance Goals or a combination thereof) as the Administrator may deem appropriate and set forth in the applicable Award Agreement; provided, that, in no event shall the Vesting Period for a Restricted Stock Award granted to any Participant (other than a Director) be less than a period of time equal to one year, except as provided in Section 11 of the Plan.

7.5. *Delivery of Shares.* Upon the expiration of the applicable Vesting Period with respect to any Restricted Stock, the restrictions set forth in this Article 7 and the applicable Award Agreement shall be of no further force or effect with respect to the Shares of Restricted Stock, except as set forth in the applicable Award Agreement. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Participant, or his or her beneficiary, without charge, the stock certificate evidencing the shares of Restricted Stock which have not then been forfeited and with respect to which the Vesting Period has expired (to the nearest full share) and any cash dividends or stock dividends credited to the Participant's account with respect to such Restricted Stock and the interest thereon, if any.

8. RESTRICTED STOCK UNIT AWARDS

8.1. *Grants.* Awards of Restricted Stock Units having a value equal to a designated number of Shares ("*Restricted Stock Unit Awards*") may be granted hereunder to Participants, in addition to other Awards granted under the Plan. A Restricted Stock Unit Award shall be subject to vesting restrictions imposed by the Administrator covering a period of time ("*Vesting Period*") specified by the Administrator and may also be subject to additional Performance Goal vesting conditions designated by the Administrator. A Restricted Stock Unit Award subject to Performance Goal vesting conditions may be denominated as "Performance Stock Units."

8.2. Award Agreements. The terms of Restricted Stock Unit Awards granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Administrator and not inconsistent with the Plan. The terms of such Awards need not be the same with respect to each Restricted Stock Unit Award. Each Participant granted Restricted Stock Units shall execute and deliver to the Company an Award Agreement with respect to the Restricted Stock Units. The Administrator may also grant Restricted Stock Units with a deferral feature, consistent with applicable law, including Section 409A of the Code, whereby settlement is deferred beyond the vesting date until the occurrence of a future payment date or event set forth in an Award Agreement ("*Deferred Stock Units*"). To the extent applicable, any reference to Restricted Stock Units in the Plan, includes Deferred Stock Units.

8.3. Rights of Holders of Restricted Stock Units.

(a) No Shares shall be issued at the time a Restricted Stock Unit, or Deferred Stock Unit, is granted, and the Company will not be required to set aside Shares or funds for the payment of any such Award. A Participant shall have no voting rights with respect to any Shares underlying Restricted Stock Units, including Deferred Stock Units, granted hereunder.

(b) At the discretion of the Administrator, each Restricted Stock Unit (representing one Share) may be credited with cash and stock dividends paid by the Company in respect of one Share ("*Dividend Equivalents*"). Unless otherwise expressly provided in the applicable Award Agreement, Dividend Equivalents shall be withheld by the Company and credited to the Participant's account, and interest may be credited on the amount of cash Dividend Equivalents credited to the Participant's account at a rate and subject to such terms as determined by the Administrator. Dividend Equivalents credited to a Participant's account and attributable to any particular Restricted Stock Unit (and earnings thereon, if applicable) shall be distributed in cash or, at the discretion of the Administrator, in Shares having a Fair Market Value equal to the amount of such Dividend Equivalents and earnings, if applicable, to the Participant upon settlement of such Restricted Stock Unit and, if such Restricted Stock Unit is forfeited, the Participant shall have no right to such Dividend Equivalents.

(c) Restricted Stock Units awarded to any Participant shall be subject to (i) forfeiture until the expiration of the applicable Vesting Period, and satisfaction of any applicable Performance Goals during such period, to the extent provided in the applicable Award Agreement, and to the extent such Restricted Stock Units are forfeited, all rights of the Participant to such Restricted Stock Units shall automatically terminate without further obligation on the part of the Company and (ii) such other terms and conditions as may be set forth in the applicable Award Agreement.

8.4. Vesting. Restricted Stock Unit Awards shall be subject to such terms and conditions on the time or times when they vest and become earned (which conditions may be based on Continuing Service, Performance Goals or a combination thereof) as the Administrator may deem appropriate and set forth in the applicable Award Agreement; provided, that, in no event shall the Vesting Period for a Restricted Stock Unit Award granted to any Participant (other than a Director) be less than a period of time equal to one year, except as provided in Section 11 of the Plan.

8.5. Settlement and Payment. Except as may be provided in the applicable Award Agreement, upon the expiration of the applicable Vesting Period with respect to any outstanding Restricted Stock Units (other than Deferred Stock Units), or upon the expiration of the deferral period with respect to any outstanding Deferred Stock Units, the Company shall deliver to the Participant, or his or her beneficiary, without charge, one Share for each such outstanding vested Restricted Stock Unit, or Deferred Stock Unit, ("*Vested Unit*") and cash equal to any Dividend Equivalents credited with respect to each such Vested Unit in accordance with Section 8.3(b) hereof and the interest thereon or, at the discretion of the Administrator, in Shares having a Fair Market Value equal to such Dividend Equivalents and the interest thereon, if any; provided, however, that, if explicitly provided in the applicable Award Agreement, the Administrator may, in its sole discretion, elect to pay cash or part cash and part Shares in lieu of delivering only Shares for Vested Units. If a cash payment is made in lieu of delivering Shares, the amount of such payment shall be equal to the Fair Market Value of the Shares as of the date on which the Vesting Period lapsed with respect to each Vested Unit that is not a Deferred Stock Unit, or as of the delivery date in the case of each Vested Unit that is a Deferred Stock Unit. The Company shall issue Shares or make otherwise make payment for each Vested Unit as soon as reasonably possible after expiration of the applicable Vesting Period and on a date selected by the Company; provided that in no event shall settlement of any Vested Units be made later than sixty (60) days after expiration of the applicable Vesting Period (or such shorter period as is necessary to exempt the Award from Section 409A of the Code).

9. OTHER AWARDS

The Administrator may, subject to any restrictions under applicable law or under the rules of any securities exchange on which the Shares are listed, grant Other Share-Based Awards, either alone or in tandem with other Awards, in such amounts and subject to such conditions as the Administrator shall determine in its sole discretion. Each Other Share-Based Award shall be evidenced by an Award Agreement and shall be subject to such conditions, not inconsistent with the Plan, as may be reflected in the applicable Award Agreement. In no event shall the Vesting Period for an Other Share Based Award be less than a period of time equal to one year from the applicable Grant Date, except as provided in Section 11 of the Plan. Other Share-Based Awards may be paid in cash, Shares, other property, or any combination thereof, as specified in the applicable Award Agreement. No Dividend Equivalents shall be paid or credited with respect to Other Share-Based Awards. Any cash, Shares or any other property distributed as a dividend or otherwise with respect to any issued but unvested Shares underlying an Other Share-Based Award shall be subject to the same vesting conditions and risk of forfeiture as such Other Share-Based Award.

10. SECURITIES LAW COMPLIANCE

No Shares shall be issued, purchased or sold under any Award Agreement unless and until (a) any then applicable requirements of federal, state and foreign laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel and (b) if required to do so by the Company, the Participant has executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Administrator may require. The Company shall use reasonable efforts to seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell Shares upon exercise, vesting or settlement of the Awards; provided that this undertaking shall not require the Company to register under the Exchange Act or other applicable securities laws the Plan, any Award or any Shares issued or issuable pursuant to any such Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Shares under the Plan, the Company shall be relieved from any liability for failure to issue and sell Shares upon exercise, vesting or settlement of such Awards unless and until such authority is obtained.

It is the intent of the Company that the Plan satisfy, and be interpreted in a manner that satisfies, the applicable requirements of Rule 16b-3 as promulgated under Section 16 of the Exchange Act so that Participants will be entitled to the benefit of Rule 16b-3, or any other rule promulgated under Section 16 of the Exchange Act, and will not be subject to short-swing liability under Section 16 of the Exchange Act. Accordingly, if the operation of any provision of the Plan would conflict with the intent expressed in this Section 10, such provision to the extent possible shall be interpreted and/or deemed amended so as to avoid such conflict.

11.CHANGE IN CONTROL PROVISIONS

11.1. *Effect of Change in Control.* Notwithstanding any provision of the Plan (other than Section 11.2) or any applicable Award Agreement to the contrary, in the event of a Change in Control, all then outstanding Awards shall automatically become 100% vested, exercisable, earned and payable, as of the effective time of the Change in Control. For clarity, to the extent the amount or timing of vesting, exercisability, payment or settlement of any Award is subject to or conditioned upon attainment of Performance Goals stated in the applicable Award Agreement (i.e., the Award is a Performance Award), for purposes of this Section 11.1, such Performance Goals shall be deemed to have been attained at 100% of the applicable target levels.

11.2. *Discretionary Cancellation of Awards.* In addition, and notwithstanding any contrary provision in this Plan or applicable Award Agreement, in the event of a pending Change in Control, the Administrator may in its discretion and upon at least 10 days' advance notice to the affected Participants, elect to cancel under this Section 11.2 all or any portion of the then outstanding Awards and cause the Company to pay to the holders thereof, in cash or Shares, or any combination thereof, the then current Fair Market Value of such cancelled Awards. The Administrator shall compute the Fair Market Value of Awards canceled under this Section 11.2 based upon the price per Share received or to be received by the other shareholders of the Company in the Change in Control transaction. In determining the Fair Market Value of Awards cancelled under this Section 11.2, all such cancelled Awards shall be valued as if they are 100% vested and earned (with any Performance Goals deemed satisfied at 100% of the applicable target level). In the case of any Option or Stock Appreciation Right with an Option Exercise Price (or Base Amount in the case of a Stock Appreciation Right) that equals or exceeds the price paid or to be paid for a Share in connection with the Change in Control, the Administrator may cancel the Option or Stock Appreciation Right without the payment of any consideration therefor.

11.3. *Successors.* The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to all or substantially all of the assets and business of the Company and its Subsidiaries, taken as a whole.

11.4. Definition of Change in Control. For purposes of the Plan, unless otherwise provided in an Award Agreement, Change in Control means the occurrence of any one of the following events:

(a) During any twelve (12) month period beginning after the date hereof, individuals who, as of the beginning of such period, constitute the Board (the “*Incumbent Directors*”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; and provided further that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(b) any “person” (as such term is defined in the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of the Board (the “*Company Voting Securities*”); provided that the event described in this paragraph (b) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (i) by the Company or any Subsidiary, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities, (iv) pursuant to a Non-Qualifying Transaction, as defined in paragraph (c) below, or (v) by any person of Company Voting Securities from the Company, if a majority of the Incumbent Board approves in advance the acquisition of beneficial ownership of 30% or more of Company Voting Securities by such person;

(c) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company’s shareholders, whether for such transaction or the issuance of securities in the transaction, unless immediately following such transaction: (i) more than 70% the total voting power of (A) the surviving corporation resulting from such transaction, or (B) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the surviving corporation, is represented by Company Voting Securities that were outstanding immediately prior to such transaction (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such transaction), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the transaction; (ii) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the surviving corporation or its parent corporation), is or becomes the beneficial owner, directly or indirectly, of more than 30% of the total voting power of the outstanding voting securities eligible to elect directors of the parent corporation (or, if there is no parent corporation, the surviving corporation); and (iii) at least a majority of the members of the board of directors of the parent corporation (or, if there is no parent Corporation, the surviving corporation) following the consummation of the transaction were Incumbent Directors at the time of the Board’s approval of the execution of the initial agreement providing for such transaction (any transaction which satisfies all of the criteria specified in (i), (ii) and (iii) above shall be deemed to be a “*Non-Qualifying Transaction*”);

(d) the date shareholders of the Company approve a plan of complete liquidation or dissolution of the Company; or
(e) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any person that is not a Subsidiary.

Notwithstanding the foregoing, (x) a transaction will not be deemed to be a Change in Control for purposes of a specific Award unless the transaction qualifies as a “change in control” event within the meaning of Section 409A of the Code for purposes of such Award; and (y) a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 30% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur.

12. GENERALLY APPLICABLE PROVISIONS

12.1. Amendment and Termination of the Plan. The Board may, from time to time, alter, amend, suspend or terminate the Plan as it shall deem advisable, subject to any requirement for shareholder approval imposed by applicable law, including the rules and regulations of the NASDAQ Global Market (or such other principal securities market on which the Class A Shares are traded); provided, that the Board may not amend the Plan in any manner that would result in noncompliance with Rule 16b-3 of the Exchange Act; and further provided that the Board may not, without the approval of the Company’s shareholders, amend the Plan to (a) increase the number of Shares that may be the subject of Awards under the Plan (except for adjustments pursuant to Section 12.2), (b) expand the types of awards available under the Plan; (c) materially expand the class of persons eligible to participate in the Plan; (d) amend any provision of Section 5.3, (e) increase the maximum permissible term of any Option specified by Section 5.4 or the maximum permissible term of a Stock Appreciation Right specified by Section 6.2, or (f) take any action with respect to an Option or Stock Appreciation Right that may be treated as a repricing under the rules and regulations of the NASDAQ Global Market (or such other principal securities market on which the Class A Shares are traded), including reducing the Option Exercise Price or Base Amount (as applicable) or exchanging an Option or Stock Appreciation Right for cash or another Award. In addition, no amendments to, or termination of, the Plan shall in any way impair the rights of a Participant under any Award previously granted without such Participant’s consent.

12.2. Adjustments. In the event of changes in the outstanding Shares or in the capital structure of the Company by reason of any stock or extraordinary cash dividend, stock split, reverse stock split, an extraordinary corporate transaction such as any recapitalization, reorganization, merger, consolidation, combination, exchange, or other relevant change in capitalization occurring after the Grant Date of any Award, Awards granted under the Plan and any Award Agreements, the Option Exercise Price of Options and Base Amount of Stock Appreciation Rights, the maximum number of Shares subject to all Awards stated in Section 3.1 and the maximum number of Shares with respect to which Incentive Stock Options may be granted shall be equitably adjusted or substituted, as to the number, price or kind of share of common stock or other consideration subject to such Awards to the extent necessary to preserve the economic intent of such Award. In the case of adjustments made pursuant to this Section 12.2, unless the Administrator specifically determines that such adjustment is in the best interests of the Company or its Subsidiaries, the Administrator shall, in the case of Incentive Stock Options, ensure that any adjustments under this Section 12.2 will not constitute a modification, extension or renewal of the Incentive Stock Options within the meaning of Section 424(h)(3) of the Code and in the case of all Stock Options, ensure that any adjustments under this Section 12.2 will not constitute a modification of such Stock Options within the meaning of Section 409A of the Code. Any adjustments made under this Section 12.2 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

12.3. Transferability of Awards. Except as provided below, and except as otherwise authorized by the Administrator in an Award Agreement, no Award and no Shares subject to Awards described in Article 8 that have not been issued or as to which any applicable restriction or performance period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution, and such Award may be exercised during the life of the Participant only by the Participant or the Participant's guardian or legal representative. Notwithstanding the foregoing if provided for in an Award Agreement, a Participant may assign or transfer an Award with the consent of the Administrator (each transferee thereof, a "*Permitted Assignee*"): (a) to the Participant's spouse, children, or grandchildren (including any adopted step children and grandchildren); (b) to a trust or partnership for the benefit of one or more person referred to in clause (a); or (c) for charitable donations; provided that such Permitted Assignee shall be bound by and subject to all of the terms and conditions of the Plan and the Award Agreement relating to the transferred Award and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Participant shall remain bound by the terms and conditions of the Plan. The Company shall cooperate with any Permitted Assignee and the Company's transfer agent in effectuating any transfer permitted under this Section. Any transfer of an Award or Shares in violation of this Section 12.3 shall be null and void.

12.4. Deferral. The Administrator may establish one or more programs under the Plan to permit selected Participants the opportunity to elect to defer receipt of consideration upon exercise of an Award, vesting, satisfaction of Performance Goals, or other event that absent the election would entitle the Participant to payment or receipt of Shares or other consideration under an Award. The Administrator may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, Shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Administrator deems advisable for the administration of any such deferral program. The Administrator shall be authorized to establish procedures pursuant to which the payment of any Award may be deferred.

13. MISCELLANEOUS

13.1. Tax Withholding. The Company shall have the right to make all payments or distributions pursuant to the Plan to a Participant (or a Permitted Assignee thereof) (any such person, a “Payee”) net of any applicable federal, state and local taxes required to be paid or withheld as a result of (a) the grant of any Award, (b) the exercise of an Option or Stock Appreciation Right, (c) the delivery of Shares or cash, (d) the lapse of any restrictions in connection with any Award or (e) any other event occurring pursuant to the Plan. The Company or any Subsidiary shall have the right to withhold from wages or other amounts otherwise payable to such Payee such withholding taxes as may be required by law, or to otherwise require the Payee to pay such withholding taxes. If the Payee shall fail to make such tax payments as are required, the Company or its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Payee or to take such other action as may be necessary to satisfy such withholding obligations. The Administrator may establish procedures for election by Participants to satisfy such obligation for the payment of such taxes by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value) that have been owned for a period of at least six months (or such other period to avoid accounting charges against the Company’s earnings), or by directing the Company to retain Shares otherwise deliverable in connection with the Award.

13.2. Right of Discharge Reserved; Claims to Awards. Nothing in the Plan nor the grant of an Award hereunder shall confer upon any person the right to continue in the employment or service of the Company or any Subsidiary or affect any right that the Company or any Subsidiary may have to terminate the employment or service of (or to demote or to exclude from future Awards under the Plan) any such Employee, Consultant or Director at any time for any reason “at will.” Except as specifically provided by the Administrator, the Company shall not be liable for the loss of existing or potential profit from an Award granted in the event of termination of an employment or other relationship. No Employee, Consultant or Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees, Consultants or Participants under the Plan.

13.3. Prospective Recipient. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a copy thereof to the Company, and otherwise complied with the then applicable terms and conditions of the Plan and Award Agreement.

13.4. Substitute Awards. Notwithstanding any other provision of the Plan, the terms of Substitute Awards may vary from the terms set forth in the Plan to the extent the Administrator deems appropriate to conform, in whole or in part, to the provisions of the awards in substitution for which they are granted.

13.5. Cancellation and Forfeiture of Awards; Clawback.

(a) Notwithstanding anything to the contrary contained herein or in any Award Agreement, all outstanding Awards granted to any Participant shall be automatically and immediately canceled if the Participant (a) is terminated for Cause or engages following his or her period of Continuous Service in conduct that would constitute Cause; (b) breaches any non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant; or (c) without the consent of the Company, during or following the Participant's period of Continuous Service for the Company or any Subsidiary, establishes a \$2,398,000 increase relationship with a competitor of the Company or any Subsidiary or engages in selling, general activity that is in conflict with and administrative expenses, materially adverse to the interest of the Company or any Subsidiary, as determined by the Administrator in its discretion.

(b) Notwithstanding any other provisions in this Plan or any Award Agreement, the Company may cancel any Award, require reimbursement of any Award (or the proceeds thereof) by a \$2,308,000 decrease Participant, and effect any other right of recoupment of equity or other compensation provided under the Plan, in gains on investments accordance with any Company policies that may be adopted and/or modified from time to time by the Company in its discretion ("Clawback Policy"). A Participant may be required to repay to the Company previously paid compensation, whether provided pursuant to the Plan or an Award Agreement, in accordance with any Clawback Policy in effect at the time of the execution of the Award Agreement, as any such policy may be subsequently modified by the Company to comply with applicable law or stock exchange listing requirements. By accepting an Award, the Participant agrees to be bound by any Clawback Policy as in effect at the time of the execution of the Award Agreement, as any such policy may be subsequently modified by the Company to comply with applicable law or stock exchange listing requirements.

13.6. *Delivery and Stop Transfer Orders.* Upon exercise or vesting of an Award, as applicable, the Company shall issue Shares or pay any amounts due within a reasonable period of time thereafter. Subject to any statutory or regulatory obligations the Company may otherwise have, and except as otherwise contemplated by this Plan, 30 days shall be considered a reasonable period of time. All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stop-transfer orders and other assets primarily attributable restrictions as the Administrator may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Administrator may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. Any provision herein to the contrary notwithstanding, the Company shall have no obligation to issue any Shares pursuant to an Award if the Administrator determines in good faith that such issuance would violate applicable federal, state or foreign securities laws.

13.7. *Nature of Payments.* All Awards made pursuant to the Plan are in consideration of services performed or to be performed for the Company or any Subsidiary, division or business unit of the Company. Any income or gain realized pursuant to Awards under the Plan constitute a special incentive payment to the Participant and shall not be taken into account, to the extent permissible under applicable law, as compensation for purposes of any of the employee benefit plans of the Company or any Subsidiary except as may be determined by the Administrator.

13.8. Other Plans. Options may continue to be granted under the Prior Plan and the Other Plan. Additionally, nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.9. Severability. If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (a) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (b) not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan shall be held unlawful or otherwise invalid or unenforceable by a court of competent jurisdiction, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid or unenforceable shall be made or provided under the Plan.

13.10. Construction. As used in the Plan, the words “include” and “including,” and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words “without limitation.”

13.11. Unfunded Status of the Plan. The Plan is intended to constitute an “unfunded” plan for incentive compensation. With respect to any payments not yet made to a \$579,000 decrease Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver the Shares or payments in gains on real estate sales lieu of or with respect to Awards hereunder; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

13.12. Governing Law. The Plan and a \$1,729,000 decrease in gains on equity securities classified as restricted assets all determinations made and cemetery perpetual care trust investments primarily due to a decrease in the fair value of equity securities, (c) a \$2,066,000 decrease in cemetery pre-need sales, (d) a \$1,017,000 increase in costs of goods sold, (e) a \$225,000 increase in intersegment interest expense and other expenses, and (f) a \$66,000 increase in amortization of deferred policy acquisition costs, which were partially offset by (i) a \$4,751,000 increase in mortuary at-need sales, (ii) a \$791,000 increase in net investment income, (iii) a \$311,000 increase in cemetery at-need sales, (iv) a \$205,000 increase in other revenues (v) a \$137,000 increase in intersegment revenues, and (vi) a \$54,000 decrease in interest expense.

In response actions taken thereunder, to the COVID-19 pandemic, extent not otherwise governed by the cemetery and mortuary’s pre-need sales force began using virtual selling processes to market its products and services including some in home sales as local regulations permitted. During Code or the third quarter 2021, laws of the sales force returned mostly to in home sales, however, it continues to use virtual selling where needed. Currently, the cemetery and mortuary operations office staff works in the office with the flexibility for hybrid-remote or completely remote working arrangements as needed.

Mortgage Operations

The Company’s wholly owned subsidiary, SecurityNational Mortgage, is a mortgage lender incorporated under United States, shall be governed by the laws of the State of Utah, without reference to principles of conflict of laws, and approved and regulated construed accordingly.

13.13. Effective Date of Plan; Termination of Plan. The Plan shall be effective on the date of the approval of the Plan by the Federal Housing Administration (FHA), holders of a department majority of the U.S. Department Company Voting Securities voted at a duly constituted meeting of Housing the shareholders of the Company. The Plan shall be null and Urban Development (HUD), which originate mortgage loans that qualify for government insurance in void and of no effect if the event foregoing condition is not fulfilled and no Award shall be granted until the shareholders 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 Company’s mortgage subsidiaries 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 MSRs on approximately 7% of its loan origination volume. These mortgage loans are serviced by either SecurityNational Mortgage or an approved third-party sub-servicer. In December 2021, the Company ceased operations in EverLEND Mortgage approve the Plan. Awards may be granted under the Plan at any time and merged its operations into SecurityNational Mortgage. On October 31, 2022, the Company sold certain of its MSRs. The MSRs related from time to mortgage loans previously originated by the Company in aggregate unpaid principal amount of approximately \$7.02 billion. As a result time following shareholder approval of the sale, Plan until the book value tenth anniversary of the Company’s MSRs decreased \$51,185,906 and generated a gain effective date of \$34,051,938 included the Plan, on which date the Plan will expire except as to Awards then outstanding under the Plan. Such outstanding Awards shall remain in mortgage fee income on the consolidated statements of earnings.effect until they have been exercised or terminated, or have expired.

For 13.14. Foreign Employees and Sub-Plans.

(a) Awards may be granted to Participants who are foreign nationals or employed outside the twelve months ended December 31, 2022 United States, or both, on such terms and 2021, Security National Mortgage originated 10,663 loans (\$3,373,554,000 total volume) and 19,342 loans (\$5,502,894,000 total volume), respectively. For the twelve months ended December 31, 2021, EverLEND Mortgage originated 323 loans (\$108,295,000 total volume).

Mortgage rates have followed the US Treasury yields up in response conditions different from those applicable to the higher than expected inflation and the expectation that the Federal Reserve will continue Awards 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 'purchase', although not as significant as those in the refinance classification.

The following table shows the condensed financial results for the Company's mortgage operations for the years ended December 31, 2022 and 2021. See Note 15 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)		
	2022	2021	2022 vs 2021 % Increase (Decrease)
Revenues from external customers:			
Secondary gains from investors	\$ 153,728	\$ 230,417	(33 %)
Income from loan originations	32,772	44,897	(27 %)
Change in fair value of loans held for sale	(8,835)	(8,783)	1 %
Change in fair value of loan commitments	(4,309)	(3,113)	38 %
Net investment income	1,188	519	129 %
Gains on investments and other assets	398	199	100 %
Other	16,580	16,282	2 %
Total	<u>\$ 191,522</u>	<u>\$ 280,418</u>	<u>(32 %)</u>
Earnings before income taxes	<u>\$ 14,088</u>	<u>\$ 28,903</u>	<u>(51 %)</u>

Included in other revenues is service fee income. Profitability in 2022 has decreased due to (a) a \$76,689,000 decrease in secondary gains from investors, (b) a \$12,125,000 decrease in income from loan originations, (c) \$1,196,000 decrease in the fair value of loan commitments, (d) a \$1,124,000 increase in intersegment expenses, (e) a \$242,000 decrease in intersegment revenues, (e) a \$51,000 increase in depreciation on property and equipment, and (f) a \$51,000 decrease in the fair value of loans held for sale, which were partially offset by (i) a \$55,003,000 decrease in commissions, (ii) an \$8,481,000 decrease in other expenses, (iii) a \$4,360,000 decrease in personnel expenses, (iv) a \$3,002,000 decrease in costs related to funding mortgage loans, (v) a \$2,230,000 decrease in intersegment interest expense, (vi) a \$1,474,000 decrease in advertising expenses, (vii) a \$884,000 decrease in interest expense, (viii) \$669,000 increase in net investment income, (ix) a \$297,000 increase in other revenues, (x) a \$199,000 increase in gains on investments and other assets, (xi) and a \$64,000 decrease in rent and rent related expenses.

In response to the COVID-19 pandemic, the mortgage operations has integrated employee work from home accommodations into its standard operating procedures. A large percentage of fulfillment employees are in office however the flexibility remains to accommodate in office or work from home functionality.

Critical Accounting Policies and Estimates

The following is a brief summary of the Company's significant accounting policies and a review of the Company's most critical accounting estimates. See Note 1 of the Notes to Consolidated Financial Statements.

Insurance Operations

In accordance with generally accepted accounting principles Employees employed in the United States as may, in the judgment of America ("GAAP"), premiums the Administrator, be necessary or desirable in order to recognize differences in local law or tax policy. The Administrator also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

(b) The Administrator may from time to time establish sub-plans under the Plan for purposes of satisfying foreign or state blue sky, securities, tax, employment, privacy or other laws of various jurisdictions in which the Company intends to grant Awards. Any sub-plans shall contain such limitations and other considerations received terms and conditions as the Administrator determines are necessary or desirable. All sub-plans shall be deemed a part of the Plan, but each sub-plan shall apply only to the Participants in the jurisdiction for which the sub-plan was designed.

13.15. Compliance with Section 409A of the Code; Taxes.

(a) The Plan is intended to comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the

Plan that are due within the “short-term deferral period” as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable laws require otherwise. In no event may any Participant, directly or indirectly, designate the calendar year of any payment to be made under this Plan or any Award Agreement hereunder which constitutes deferred compensation within the meaning of Section 409A of the Code. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and taxation under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six (6) month period immediately following the Participant’s termination of Continuous Service shall instead be paid on the first payroll date after the six-month anniversary of the Participant’s separation from service (or the Participant’s death, if earlier).

(b) Notwithstanding the foregoing or any other provision of the Plan or any other agreement, neither the Company, any Subsidiary, the Administrator, nor any of their respective directors, officers, employees or agents shall have any obligation to take any action to prevent the assessment of any tax or penalty on any Participant under Section 409A of the Code or otherwise with respect to the Plan or any Award. Neither the Company, any Subsidiary, the Administrator, nor any of their respective directors, officers, employees or agents shall have any liability to any Participant or any other Person if an Option designated as an Incentive Stock Option fails to qualify as such at any time. Neither the Company, any Subsidiary, the Administrator, nor any of their respective directors, officers, employees or agents has any liability or obligation to indemnify, reimburse, gross-up or compensate any Participant for any taxes or tax-related penalties, interest sensitive products are reflected as increases in liabilities for policyholder account balances and not as revenues. Revenues reported for these products consist other costs arising out of policy charges for or resulting from the cost Plan or any Award, including any taxes under Sections 409A and 4999 of insurance, administration charges, amortization of policy initiation fees and surrender charges assessed against policyholder account balances. Surrender benefits paid relating to these products are reflected as decreases in liabilities for policyholder account balances and not as expenses, the Code.

21-24-

13.16. Captions. The captions in the Plan are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

13.17. Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries by whom any Award under the Plan is to be exercised (or to whom any amount or Shares are to be paid or issued) in case of such Participant's death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Administrator and shall be effective only when filed by the Participant in writing with the Company receives investment income earned from during the funds deposited into account balances, a portion of which is passed through Participant's lifetime.

13.18. Plan History. The Plan was originally adopted by the Board, subject to the policyholders in the form of interest credited. Interest credited to policyholder account balances and benefit claims in excess of policyholder account balances are reported as expenses in the consolidated financial statements.

Premiums and other considerations received for traditional life insurance products are recognized as revenues when due. Future policy benefits are recognized as expenses over the life approval of the policy Company's shareholders. The Plan was originally approved by means the Company's shareholders at the Company's annual meeting of shareholders that was held on June 17, 2022. The Plan was amended and restated by the Board on March 17, 2023. Pursuant to the terms of the provision for future policy benefits.

The costs related to acquiring new business, Plan and applicable law, including certain costs of issuing policies and other variable selling expenses (principally commissions), defined as deferred policy acquisition costs, are capitalized and amortized into expense. For nonparticipating traditional life products, these costs are amortized over the premium paying period of Code, the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits and are generally "locked in" at the date the policies are issued. For interest sensitive products, these costs are amortized generally in proportion to expected gross profits from surrender charges and investment, mortality and expense margins. This amortization is adjusted when the Company revises the estimate of current or future gross profits or margins. For example, deferred policy acquisition costs are amortized earlier than originally estimated when policy terminations are higher than originally estimated or when investments backing the related policyholder liabilities are sold at a gain prior to their anticipated maturity.

Death and other policyholder benefits reflect exposure to mortality risk and fluctuate from year to year on the level of claims incurred under insurance retention limits. The profitability shareholders of the Company were not required to approve such amendment and restatement.

-25-

Exhibit 19

**SECURITY NATIONAL FINANCIAL CORPORATION
INSIDER TRADING POLICY
AND GUIDELINES WITH RESPECT TO
CERTAIN TRANSACTIONS IN COMPANY SECURITIES**

- Ratified March 22, 2024 -

This Policy provides guidelines to employees, officers, consultants, contractors and members of the Board of Directors of Security National Financial Corporation and its subsidiaries (collectively, the "Company") with respect to transactions in the Company's securities. The Company's Chief Financial Officer is primarily affected its Insider Trading Compliance Officer (the "Compliance Officer").

Applicability of Policy

This Policy applies to all transactions in the Company's securities, including common stock, options for common stock and any other securities the Company may issue from time to time, such as preferred stock, warrants and convertible debentures, as well as to derivative securities relating to the Company's stock, whether or not issued by fluctuations the Company, such as exchange-traded options. This Policy applies to all employees, officers, consultants, contractors and members of the Board of Directors of the Company who receive or have access to material nonpublic information ("Inside Information") regarding the Company. The basis for determining what constitutes Inside Information is discussed on page 3 of this Memorandum. This group of people, members of their immediate families, and members of their households are sometimes referred to in mortality, other policyholder benefits, expense levels, interest spreads (i.e., this Policy as "Insiders," This Policy also applies to any person who receives Inside Information from any Insider. Any person who possesses Inside Information regarding the difference between interest earned Company is an Insider for so long as the information is not publicly known.

Statement of Policy

A. General Policy

It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the workplace, and the use of Inside Information in securities trading.

B. Specific Policies Applicable to All Employees and Directors

1. Trading on investments Material Nonpublic Information. No director, officer, consultant, contractor or employee of the Company, and interest credited to policyholders) and persistency. The Company has no member of the ability to mitigate adverse

experience through sound underwriting, asset and liability duration matching, sound actuarial practices, adjustments to credited interest rates, policyholder dividends and cost immediate family or household of insurance charges.

Cemetery and Mortuary Operations

Pre-need sales of funeral services and caskets, including revenue and costs associated with any such person, shall engage in any transaction involving the sales of pre-need funeral services and caskets, are deferred Company's securities from the date that he or she possesses Inside Information until the services close of business on the second Trading Day following the date of public disclosure of that information. "Trading Day" means a day on which national stock exchanges and the Nasdaq National Market are performed or the caskets are delivered.open for trading.

Pre-need sales of cemetery interment rights (cemetery burial property), including revenue and costs associated with the sales of pre-need cemetery interment rights, are recognized in accordance with the retail land sales provisions of GAAP. Under GAAP, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected. Revenues related to the pre-need sale of unconstructed cemetery property will be deferred until such property is constructed and meets the criteria of GAAP, described above.

Pre-need sales of cemetery merchandise (primarily markers and vaults), including revenue and costs associated with the sales of pre-need cemetery merchandise, are deferred until the merchandise is delivered, fulfilling the performance obligation.

Pre-need sales of cemetery services (primarily merchandise delivery and installation fees and burial opening and closing fees), including revenue and costs associated with the sales of pre-need cemetery services, are deferred until the services are performed.

Prearranged funeral and pre-need cemetery customer obtaining costs, including costs incurred related to obtaining new pre-need cemetery and prearranged funeral business are accounted for under the guidance of the provisions of GAAP. Obtaining costs, which include only costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business, are deferred until the merchandise is delivered or services are performed.

Revenues and costs for at-need sales are recorded when a valid contract exists, the services are performed, collection is reasonably assured, and there are no significant company obligations remaining.

Mortgage Operations

Mortgage fee income consists

IF A PERSON POSSESSES INSIDE INFORMATION, HE OR SHE MUST FOREGO ANY PROPOSED TRANSACTION IN THE COMPANY'S SHARES, EVEN THOUGH HE OR SHE PLANNED TO MAKE THE TRANSACTION BEFORE HE OR SHE LEARNED OF THE INSIDE INFORMATION AND EVEN THOUGH THE FAILURE TO EXECUTE SUCH TRANSACTION MAY RESULT IN A LOSS OR THE INABILITY TO GENERATE AN ANTICIPATED PROFIT.

2. Tipping. An Insider shall not disclose ("tip") Inside Information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of origination fees, processing fees, interest income and certain other income companies to which such information relates. An Insider or related person shall not make recommendations or express opinions on the basis of Inside Information as to trading in the Company's securities.

3. Confidentiality of Nonpublic Information. Nonpublic information relating to the origination Company is the property of the Company and the unauthorized disclosure of such information is forbidden.

4. Trading Window. The Company's directors, officers, employees, consultants and contractors shall not engage in any transaction involving the Company's securities other than during the "Trading Window." The Trading Window closes at the close of business on February 15, April 30, July 15 and October 15 of each fiscal year. The Trading Window opens at the close of business on the second Trading Day following the date the Company publicly discloses its financial results for the previous fiscal quarter or year. The Company recommends, assuming the absence of Inside Information, that trades occur during the first ten days of the Trading Window.

From time to time, the Company may also require that directors, officers, selected employees and others to suspend trading because of developments known to the Company and not yet disclosed to the public. In such event, such persons shall not engage in any transaction involving the Company's securities during such period and shall not disclose to others the fact that trading has been suspended.

5. Option Exercises and Sales. The exercise of stock options under the Company's stock option plans (but not the sale of mortgage loans. The Company has elected to use fair value accounting for all mortgage loans that are held for sale. Accordingly, all revenues and costs are now recognized when any such shares) is exempt from this Policy since the mortgage loan is funded and any changes in fair value are shown as a component of mortgage fee income.

The Company, through its mortgage subsidiaries, sells mortgage loans to third-party investors without recourse, unless defects are identified in the representations and warranties made at loan sale. It may be required, however, to repurchase a loan or pay a fee instead of repurchase under certain events, which include the following:

- Failure to deliver original documents specified by the investor,
- The existence of misrepresentation or fraud in the origination of the loan,
- The loan becomes delinquent due to nonpayment during the first several months after it is sold,
- Early pay-off of a loan, as defined by the agreements,
- Excessive time to settle a loan,
- Investor declines purchase, and
- Discontinued product and expired commitment.

Loan purchase commitments generally specify a date 30 to 45 days after delivery upon which the underlying loans should be settled. Depending on market conditions, these commitment settlement dates can be extended at a cost other party to the Company.

It transaction is the Company's policy to cure any documentation problems regarding such loans at a minimal cost for up to a six-month time period and to pursue efforts to enforce loan purchase commitments from third-party investors concerning the loans. The Company believes that six months allows adequate time to remedy any documentation issues, to enforce purchase commitments, and to exhaust other alternatives. Remedial methods include the following:

- Research reasons for rejection,
- Provide additional documents,
- Request investor exceptions,
- Appeal rejection decision to purchase committee, and
- Commit to secondary investors.

Once purchase commitments have expired and other alternatives to remedy are exhausted, which could be earlier than the six-month time period, the loans are repurchased and transferred to mortgage loans held for investment at the lower of cost or fair value itself and the previously recorded sales revenue that was to be received from a third-party investor price does not vary with the market but is written off against the loan loss reserve. Any loan that later becomes delinquent is evaluated fixed by the Company at that time and any impairment is adjusted accordingly. terms of the option agreement or the plan.

Determining fair value. Cost for loans held for **6. Short Sales.** No officer, employee, consultant, contractor or director should make a short sale is equal to of the amount paid to the warehouse bank and the amount originally funded by the Company. Market value, while often difficult to determine and may contain significant unobservable inputs, is based on the following guidelines: Company's securities.

- For loans that are committed, the Company uses the commitment price.
- For loans that are non-committed that have an active market, the Company uses the market price.
- For loans that are non-committed where there is no market but there is a similar product, the Company uses the market value for the similar product.
- For loans that are non-committed where no active market exists, the Company determines that the unpaid principal balance best approximates the market value, after considering the fair value of the underlying real estate collateral, estimated future cash flows, and loan interest rate.

23 -2-

The appraised value

C. Additional Requirements Applicable to Directors, Officers and Certain Employees

(i) Any owner of more than ten percent of the real estate underlying Company's stock, (ii) the original mortgage loan adds significance Company's directors, (iii) the Company's chief executive officer, president, chief financial officer, treasurer and senior general counsel, (iv) any vice president of the Company in charge of any of the Company's principal business segments, and (iv) any officer or other person who performs a policy-making function for the Company (each, a "Section 16 Person"), must comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Securities Exchange Act of 1934, as amended. The practical effect of these provisions is that Section 16 Persons who purchase and sell the Company's securities within a six-month period must return all profits to the Company whether or not they had knowledge of any Inside Information. Under these provisions, and so long as certain other criteria are met, the exercise of an option under the Company's determination option plan is not deemed a purchase under Section 16; however, the sale of fair value because, if any such shares is a sale under Section 16. Moreover, no Section 16 Person may ever make a short sale of the loan becomes delinquent, Company's stock.

Section 16 Persons must report virtually all transactions in securities related to the Company, has sufficient value including transactions that are not otherwise subject to collect this Policy (such as gifts and stock option plan option exercises). Thus, stock option exercises are reportable events under Section 16 even though they are non-events for purposes of determining the unpaid principal balance six-month limitation on short-swing profits under Section 16. The failure to report or the carrying value late report of the loan, thus minimizing credit risk.

The majority of loans originated are sold to third-party investors. The amounts expected a transaction required to be sold reported by Section 16 is a violation of federal law, potentially subjecting the insider to investors are shown on monetary penalties and requiring the consolidated balance sheets as loans held Company to disclose by name the person responsible for sale.the delinquent or missing filing in the Company's publicly filed documents.

UseD. Definition of Significant Accounting Estimates Inside Information

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. It is reasonably not possible that actual experience could differ from the estimates and assumptions utilized which could have a to define all categories of material impact on the financial statements. The following information. However, information should be regarded as material if there is a summary reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of our significant accounting estimates, and critical issues stock or other securities.

While it may be difficult under this standard to determine whether particular information is material) there are various categories of information that impact them: are particularly sensitive. Examples of such information may include:

- Financial results
- Projections of future earnings or losses
- Signing or termination of a substantial new contract
- A pending or proposed acquisition, merger or joint venture
- Completion of a business development or milestone
- Unanticipated problems with products or services
- Commencement of a new development effort
- Stock splits
- New equity or debt offerings
- Actual or threatened litigation
- Changes in senior management
- Impending bankruptcy or financial liquidity problems

Loan Commitments

The Company estimates the fair value of a mortgage loan commitment based on the change in estimated fair value of the underlying mortgage loan, quoted mortgage-backed security ("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 mortgage 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 fund within the terms of the commitments.

Deferred Acquisition Costs

Amortization of deferred policy acquisition costs ("DAC") for interest sensitive products is dependent upon estimates of current and future gross profits or margins on this business. Key assumptions used include the following: yield on investments supporting the liabilities,

amount of interest or dividends credited to the policies, amount of policy fees and charges, amount of expenses necessary to maintain the policies, amount of death and surrender benefits, and the length of time the policies will stay in force.

For nonparticipating traditional life products, these costs are amortized over the premium paying period of the related policies in proportion to the ratio of annual premium revenues to total anticipated premium revenues. Such anticipated premium revenues are estimated using the same assumption used for computing liabilities for future policy benefits and are generally “locked in” at the date the policies are issued.

Value of Business Acquired

Value of business acquired (“VOBA”) is the present value of estimated future profits of the acquired business and is amortized similar to deferred acquisition costs. The critical issues explained for deferred acquisition costs would also apply for value of business acquired.

Mortgage Loans Foreclosed to Real Estate Held for Investment or Sale

These properties are recorded at the lower of cost or fair value upon foreclosure. The Company believes that in an orderly market, fair value approximates 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 estimated future policy benefits. Accordingly, the fair value determination is generally weighted more heavily toward the rental analysis. The fair value is also estimated by obtaining an independent appraisal, which typically considers area comparable properties and property condition.

Future

Both positive and negative information can be material.

Nonpublic information is information that has not been previously disclosed to the general public and is otherwise not available to the general public.

E. Individual Responsibility to Comply with Policy

Every officer, director, consultant, contractor and employee has the individual responsibility to comply with this Policy. Beyond the guidelines set forth in this Policy, **Benefits** appropriate judgment should be exercised in connection with any trade in the Company's securities.

ReservesF. Potential Criminal and Civil Liability and/or Disciplinary Action

1. Liability for Insider Trading. Persons may be subject to penalties of up to \$1,000,000 and up to ten years in jail for engaging in transactions in the Company's securities at a time when they possess Inside Information regarding the Company.

2. Liability: for Tipping. Persons may also be liable for improper transactions by any person (a "tippee") to whom they have disclosed Inside Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities. The Securities and Exchange Commission (the "SEC") has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the Financial Industry Regulatory Authority (FINRA) use sophisticated electronic surveillance techniques to uncover insider trading.

3. Possible Disciplinary Actions. Employees of the Company who violate this Policy are subject to disciplinary action by the Company as determined by its officers. Penalties may include ineligibility for future policy benefits for traditional life insurance products requires participation in the use Company's equity incentive plans or termination of many assumptions, including the duration employment.

G. Inquiries

Please direct your questions as to any of the policies, mortality experience, expenses, investment yield, lapse rates, surrender rates, and dividend crediting rates, matters discussed in this Policy to the Compliance Officer.

-4-

These assumptions are made based upon historical experience, industry standards and

Exhibit 20

SECURITY NATIONAL FINANCIAL CORPORATION EXECUTIVE INCENTIVE COMPENSATION CLAWBACK POLICY

Adopted September 8, 2023

I. Introduction

The Board of Directors (the "**Board**") of Security National Financial Corporation, a best estimate of future results and, for traditional life products, include a provision for adverse deviation. For traditional life insurance, once established for a particular series of products, these assumptions are generally held constant.

Unearned Premium Reserve

The universal life products the Utah corporation (the "**Company** sells have significant policy initiation fees (front-end load)") believes that are deferred and amortized into revenues over the estimated expected gross profits from surrender charges and investment, mortality and expense margins. The same issues that impact deferred acquisition costs apply to unearned revenue.

Premium Deficiency and Loss Recognition Testing

At least annually, the Company tests the adequacy of the net benefit reserves (liability for future policy benefits, net of DAC and VOBA) recorded for life insurance and annuity products. The Company tests for recoverability by using the Company's current best-estimate assumptions as to policyholder mortality, persistency, maintenance expenses and invested asset returns. These tests evaluate whether the present value of future contract-related cash flows will support the capitalized DAC and VOBA assets. These cash flows consist primarily of premium income, less benefits and expenses. If the current contract liabilities plus the present value of future premiums it is greater than the sum of the present values of future policy benefits, commissions, and expenses plus the current DAC and VOBA less unearned premium reserve balances, then the capitalized assets are deemed recoverable. The present values are calculated using in the best estimate interests of the after tax net investment earned rate.

Deferred Pre-need Cemetery and Funeral Contracts Revenues and Estimated Future Cost of Pre-need Sales

The revenue and cost associated with the sales of pre-need cemetery merchandise and funeral services are deferred until the merchandise is delivered or the service is performed.

The Company, through its cemetery and mortuary operations, provides a guaranteed funeral arrangement wherein a prospective customer can receive future goods and services at guaranteed prices. To accomplish this, the Company, through its life insurance operations, sells to the customer an increasing benefit life insurance policy that is assigned to the mortuaries. If, at the time of need, the policyholder or potential mortuary customer utilizes one of the Company's facilities, the guaranteed funeral arrangement contract that has been assigned will provide the funeral goods and services at the contracted price. The increasing life insurance policy will cover the difference between the original contract prices and current prices. Risks may arise if the difference cannot be fully met by the life insurance policy.

Mortgage Servicing Rights

Mortgage Service Rights (“MSR”) arise from contractual agreements between the Company and third-party investors (or their agents) when mortgage loans are sold. Under these contracts, its shareholders to create and maintain a culture that emphasizes integrity and accountability and to require the recovery of certain executive incentive compensation in the event that the Company is obligated required to retain and provide loan servicing functions on the loans sold, in exchange for fees and other remuneration. prepare an Accounting Restatement (as defined below). The servicing functions typically performed include, among other responsibilities, collecting and remitting loan payments; responding to borrower inquiries; accounting for principal and interest; holding custodial (impound) funds for payment of property taxes and insurance premiums; counseling delinquent mortgagors; and supervising the acquisition of real estate owned and property dispositions. The Company initially accounts for MSRs at fair value and subsequently accounts for them using the amortization method. 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 accounted for using the amortization method for impairment.

Mortgage Allowance for Loan Losses and Loan Loss Reserve

The Company Board has therefore adopted this policy which provides for losses on its mortgage loans held for investment through an allowance for loan losses (a contra-asset account) and through the mortgage loan loss reserve (a liability account). The allowance for loan losses is an allowance for losses on the Company's mortgage loans held for investment. The allowance is comprised of two components. The first component is an allowance for collectively evaluated impairment that is based upon the Company's historical experience in collecting similar receivables. The second component is based upon individual evaluation of loans that are determined to be impaired.

Upon determining impairment, the Company establishes an individual impairment allowance based upon an assessment of the fair value of the underlying collateral. In addition, when a mortgage loan is past due more than 90 days, the Company does not accrue any interest income. When a loan becomes delinquent, the Company proceeds to foreclose on the real estate and all expenses for foreclosure are expensed as incurred. Once foreclosed, an adjustment for the lower of cost or fair value is made, if necessary, and the amount is classified as real estate held for investment. The Company will rent the properties until it is deemed desirable to sell them.

The mortgage loan loss reserve is an estimate of probable losses at the balance sheet date that the Company will realize in the future on mortgage loans sold to third-party investors. The Company may be required to reimburse third-party investors for costs associated with early payoff of loans within six months of origination of such loans and to repurchase loans where there is a default in any of the first four monthly payments to the investors or, in lieu of repurchase, to pay a negotiated fee to the investors. The Company's estimates are based upon historical loss experience and the best estimate of the probable loan loss liabilities.

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions certain executive incentive compensation in the event of defects in the representations and warranties made at loan sale. The Company accrues a monthly allowance for indemnification losses to investors based on total production. This estimate is based on the Company's historical experience and is included as a component of mortgage fee income. Subsequent updates to the recorded liability an Accounting Restatement resulting from changes in assumptions are recorded in selling, general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses.

The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of the balance sheet date.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities require various estimates and judgments and may be affected favorably or unfavorably by various internal and external factors. These estimates and judgments occur in the calculation of certain deferred tax assets and liabilities that arise from temporary differences in the recognition of revenues and expenses for tax and material noncompliance with financial reporting purposes and in estimating requirements under the ultimate amount of deferred tax assets recoverable in future periods. Factors affecting the deferred tax assets and liabilities include, but are not limited to, changes in tax federal securities laws regulations and/or rates, changing interpretations of existing tax laws or regulations, and changes to overall levels of pre-tax earnings. Changes in these estimates, judgments or factors may result in an increase or decrease to the Company's deferred tax assets and liabilities with a related increase or decrease in the Company's provision for income taxes.

(this "Results of Consolidated Operations Policy

2022 Compared to 2021

Total revenues decreased by \$81,043,000, or 17.2%, to \$389,652,000 for 2022 from \$470,695,000 for the fiscal year 2021. Contributing to this decrease in total revenues was a \$89,918,000 decrease in mortgage fee income and a \$7,123,000 decrease in gains on investments and other assets and other than temporary impairments. This decrease in total revenues was offset by a \$7,933,000 increase in net investment income, a \$4,747,000 increase in insurance premiums and other considerations, a \$2,997,000 increase in net cemetery and mortuary sales, a \$281,000 increase in other revenues, and a \$40,000 decrease in other than temporary impairments.

Mortgage fee income decreased by \$89,918,000, or 34.1%, to \$173,500,000 for 2022, from \$263,418,000 for 2021. This decrease was primarily due to a \$76,546,000 decrease in secondary gains from mortgage loans sold to third-party investors into the secondary market, a \$13,258,000 decrease in loan fees and interest income, a \$1,247,000 decrease in the fair value of loans held for sale and loan commitments. This decrease in mortgage fee income was partially offset by a \$1,133,000 decrease in the provision for loan loss reserve.

Insurance premiums and other considerations increased by \$4,747,000, or 4.7%, to \$105,002,000 for 2022, from \$100,255,000 for 2021. This increase was due to an increase of \$2,253,000 in renewal premiums due to the growth of the Company in recent years, particularly in whole life products, which resulted in more premium paying policies in force and an increase of \$2,494,000 in first year premiums as a result of increased final expense insurance sales.

Net investment income increased by \$7,933,000, or 13.6%, to \$66,198,000 for 2022, from \$58,265,000 for 2021. This increase was primarily attributable to a \$6,191,000 increase in mortgage loan interest, a \$2,228,000 increase in rental income from real estate held for investment, a \$1,626,000 increase in fixed maturity securities income, a \$1,431,000 increase in interest on cash and cash equivalents, a \$388,000 increase in income in other investments, and a \$65,000 increase in equity securities income. This increase was partially offset by a \$3,039,000 increase in investment expenses, a \$949,000 decrease in insurance assignment income, and an \$8,000 decrease in policy loan income.

Net mortuary and cemetery sales increased by \$2,997,000, or 12.5%, to \$26,994,000 for 2022, from \$23,997,000 for 2021. This increase was primarily due to a \$4,751,000 increase in mortuary at-need sales and a \$311,000 increase in cemetery at-need sales. This increase was partially offset by a \$2,065,000 decrease in cemetery pre-need sales.

Gains on investments and other assets decreased by \$7,123,000, or 113.7%, to \$858,000 in losses for 2022, from \$6,265,000 in gains for 2021. This decrease in gains on investments and other assets was primarily due to a \$5,243,000 decrease in gains on equity securities mostly attributable to decreases in the fair value of these equity securities, a \$1,197,000 decrease in gains on other assets mostly attributable to a decrease in gains recognized on the sale of mortgage loans held for investment, and a \$683,000 decrease in gains on fixed maturity securities.

Other revenues increased by \$282,000, or 1.5%, to \$18,817,000 for 2022 from \$18,535,000 for 2021. This increase was primarily attributable to an increase in servicing fee revenue.

Total benefits and expenses were \$355,275,000, or 91.2% of total revenues for 2022, as compared to \$418,895,000, or 89.0% of total revenues for 2021.

Death benefits, surrenders and other policy benefits, and future policy benefits decreased by an aggregate of \$556,000, or 0.6%, to \$92,926,000 for 2022, from \$93,482,000 for 2021. This decrease was primarily the result of a \$3,870,000 decrease in death benefits (\$4,296,000 for COVID-19 related deaths⁷). This decrease was partially offset by a \$2,596,000 increase in future policy benefits and a \$718,000 increase in surrender and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by \$1,807,000, or 11.2%, to \$17,950,000 for 2022, from \$16,143,000 for 2021. 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 \$66,590,000, or 22.3%, to \$231,848,000 for 2022, from \$298,438,000 for 2021. This decrease was primarily the result of a \$54,965,000 decrease in commissions, a \$7,268,000 decrease in other expenses, a \$3,002,000 decrease in costs related to funding mortgage loans, a \$928,000 decrease in advertising expenses, a \$629,000 decrease in personnel expenses, and a \$359,000 decrease in rent and rent related expenses. This decrease was partially offset by a \$561,000 increase in depreciation on property and equipment.

Interest expense increased by \$703,000, or 9.9%, to \$7,830,000 for 2022, from \$7,127,000 for 2021. This increase was primarily due to a \$1,587,000 increase in interest expense on bank loans, which was partially offset by a decrease of \$884,000 in interest expense on mortgage warehouse lines for loans held for sale.

Cost of goods and services sold of the cemeteries and mortuaries increased by \$1,017,000, or 27.5%, to \$4,721,000 for 2022, from \$3,704,000 for 2021. This increase was primarily due to a \$1,196,000 increase in mortuary at-need sales and a \$77,000 increase in cemetery at-need sales, which was partially offset by a \$256,000 decrease in cemetery pre-need sales.

Income tax expense decreased by \$3,595,000, or 29.3%, to \$8,687,000 for 2022, from \$12,282,000 for 2021. This decrease was primarily due to a decrease in earnings before income taxes for 2022 compared to 2021.

Risks

The following **Policy** is a description of the material risks facing the Company and how it mitigates those risks:

Legal and Regulatory Risks. Changes in the legal or regulatory environment in which the Company operates may create additional expenses and risks not anticipated by the Company in developing and pricing its products. Regulatory initiatives designed to reduce insurer profits, new legal theories or insurance company insolvencies through guaranty fund assessments may create costs for the insurer beyond those recorded in the consolidated financial statements. In addition, changes in tax law **comply** with respect to mortgage interest deductions or other public policy or legislative changes may affect the Company's mortgage sales. Also, the Company may be subject to further regulations in the cemetery and mortuary business. The Company aims to mitigate these risks by offering a wide range of products and by diversifying its operations, thus reducing its exposure to any single product or jurisdiction, and also by employing underwriting practices that identify and minimize the adverse impact of such risks.

Mortgage Industry Risks. Developments in the mortgage industry and credit markets can adversely affect the Company's ability to sell its mortgage loans to investors, which can impact the Company's financial results by requiring it to assume the risk of holding and servicing any unsold loans.

The mortgage loan loss reserve is an estimate of probable losses at the balance sheet date that the Company could realize in the future on mortgage loans sold to third-party investors. The Company's mortgage subsidiary may be required to reimburse third-party investors for costs associated with early payoff of loans within the first six months of such loans and to repurchase loans where there is a default in any of the first four monthly payments to the investors or, in lieu of repurchase, to pay a negotiated fee to the investors. The Company's estimates are based upon historical loss experience and the best estimate of the probable loan loss liabilities.

During the twelve months ended December 31, 2022 and 2021 the Company increased its loan loss reserve by \$1,079,000 and \$2,211,000, respectively, for loan originations, and the charges have been included in mortgage fee income. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2022 and 2021, the balances were \$1,726,000 and \$2,447,000, respectively. The Company believes the loan loss reserve represents probable loan losses incurred as of December 31, 2022. There is a risk, however, that future loan losses may exceed the loan loss reserve.

As of December 31, 2022, the Company's mortgage loans held for investment portfolio consisted of mortgage loans in an aggregate principal amount of \$2,567,000 with delinquencies exceeding 90 days. Of this amount, loans with an aggregate principal amount of \$1,281,000 were in foreclosure proceedings. The Company has not received or recognized any interest income on the \$2,567,000 in mortgage loans with delinquencies exceeding 90 days. During the twelve months ended December 31, 2022 and 2021, the Company increased its allowance for loan losses by \$270,000 and by \$305,000, respectively, which was charged to bad debt expense and included in selling, general and administrative expenses for the period. The allowances for loan losses on the Company's held for investment portfolio as of December 31, 2022 and 2021 were \$1,970,000 and \$1,700,000, respectively.

Interest Rate Risk. Fluctuations in interest rates may cause a decrease in the value of the Company's investments or impair the ability of the Company to market its mortgage and cemetery and mortuary products. This change in rates may cause certain interest-sensitive products to become uncompetitive or may cause disintermediation. The Company aims to mitigate this risk by charging fees for non-conformance with certain policy provisions, by offering products that transfer this risk to the purchaser, and by attempting to match the maturity schedule of its assets with the expected payouts of its liabilities. To the extent that liabilities come due more quickly than assets mature, the Company might have to borrow funds or sell assets prior to maturity and potentially recognize a loss on the sale.

Mortality and Morbidity Risks. The Company's actuarial assumptions differing from actual mortality and morbidity experienced may mean that the Company's relevant products sold were underpriced, may require the Company to liquidate insurance or other claims earlier than planned, and have other potentially adverse consequences to the business. The Company aims to minimize this risk through sound underwriting practices, asset and liability duration matching, and sound actuarial practices.

COVID-19. Like most businesses, COVID-19 has impacted the Company, including the temporary adoption of work-from-home arrangements for employees and a restructuring of selling techniques for its products and services. Throughout 2021 and 2022, the Company continued to adapt to the impact of COVID-19 and its related economic effects. The Company experienced, like all life insurance companies, higher than expected death rates during the pandemic. Death rates in 2022 declined over 2021 and 2020, but remain higher than pre-COVID-19 levels.

Banking Environment. Item 7.01 Regulation FD Disclosure.

Silicon Valley Bank was placed in receivership with the Federal Deposit Insurance Corporation ("FDIC"). On March 12, 2023, the FDIC announced that depositors of Silicon Valley Bank will have access to all of their funds starting Monday, March 13, 2023. On March 12, 2023, Signature Bank was placed in receivership with the FDIC. On March 12, 2023, the FDIC announced that banking activities will resume on Monday, March 13, 2023.

The Company does not maintain any deposit or other accounts or credit facilities with Silicon Valley Bank or Signature Bank, or their successors. The Company holds one bond with a par value of \$250,000 in the Company's debt portfolio and is junior in priority to a debt investment of Silicon Valley Bank or its successors. The Company continues to monitor the banking industry.

The information furnished in this Item 7.01 shall not be deemed "filed" for purposes of Section 1810D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 thereunder, and The Nasdaq Stock Market ("Nasdaq") Listing Rule 5608 ("Rule 5608") and will be interpreted and applied accordingly.

II. Administration

This Policy shall not be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed incorporated references to the Compensation Committee. The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. Any determinations made by reference into any filing under the Securities Act of 1933, as amended, except as Board shall be expressly set forth by specific reference in such filing.

Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates final and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. 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; 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 allowances for loan losses for mortgage loans held for investment; 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 binding on all material respects.affected individuals.

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 on 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 caused by COVID-19 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.

During the twelve months ended December 31, 2022 and 2021, the Company's operations provided cash of \$130,450,000 and of \$144,638,000, respectively. The decrease in cash provided by operations was due primarily to decreased proceeds from the sale of loans held for sale.

III. Covered Executives

The Company's liability for future policy benefits is expected to be paid out over the long-term due

This Policy applies to the Company's market niche of selling funeral 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 current and do not surrender them prior to death. Because of former executive officers, as determined by the long-term nature of these liabilities, the Company is able to hold to maturity its bonds, real estate, and mortgage loans thus reducing the risk of liquidating these long-term investments as a result 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 expectations of short-term requirements of the Company's products. The Company's investment philosophy is intended to provide a rate of return, which will persist during the expected duration of policyholder and cemetery and mortuary liabilities 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 held for sale on a short-term basis before selling the loans to investors Board in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to \$345,598,000 (at estimated fair value) and \$259,005,000 (at estimated fair value) as of December 31, 2022 and 2021, respectively. This represented 36.4% and 31.5% Section 10D of the total investments as Exchange Act and the listing standards of December 31, 2022, and 2021, 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. At December 31, 2022, 2.2% (or \$7,833,000) and at December 31, 2021, 3.9% (or \$9,991,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non-investment grade.

See Note 2 of the Notes to Consolidated Financial Statements for the schedule of the maturity of fixed maturity securities available for sale and for the schedule of principal payments for mortgage loans held for investment.

See Note 7 of the Notes to Consolidated Financial Statements for a description of the Company's sources of liquidity.

If market conditions were to cause interest rates to change, the fair value of the Company's fixed income portfolio (of approximately \$653,982,000), Nasdaq, which includes bonds, preferred stocks and mortgage loans held for investment, could change by the following amounts based on the respective basis point swing (the change in the fair values were calculated using a modeling technique):

	-200 bps	-100 bps	+100 bps	+200 bps
Change in Fair Value (in thousands)	\$ 60,877	\$ 29,720	\$ (32,592)	\$ (63,748)

The Company each individual who is 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. At December 31, 2022 and 2021, the life insurance subsidiaries were in compliance with the regulatory criteria.

The Company's total capitalization of stockholders' equity, and bank loans and other loans payable currently or was \$454,499,000 previously designated as of December 31, 2022, as compared to \$551,054,000 as of December 31, 2021. Stockholders' equity as a percent of total capitalization was 64.4% and 54.4% as of December 31, 2022 and December 31, 2021, respectively. Bank loans and other loans payable decreased by \$89,574,000 for the twelve months ended December 31, 2022 as compared to December 31, 2021, and stockholders' equity decreased by \$6,981,000 for the twelve months ended December 31, 2022 as compared to December 31, 2021, thus causing the increase in the stockholders' equity percentage.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance was 4.3% in 2022 as compared to a rate of 4.8% for 2021.

The combined statutory capital and surplus of the Company's life insurance subsidiaries was \$94,254,000 and \$82,823,000 as of December 31, 2022 and 2021, respectively. The life insurance subsidiaries cannot pay a dividend to their parent company without the approval of state insurance regulatory authorities.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements to encourage companies to provide prospective information about their businesses without fear of litigation so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in such statements. The Company desires to take advantage of the "safe harbor" provisions of the act.

This Annual Report on Form 10-K contains forward-looking statements, together with related data and projections, about the Company's projected financial results and its future plans and strategies. However, actual results and needs an "officer" of the Company may vary materially from forward-looking statements as defined in Rule 16a-1(f) under the Exchange Act, and projections made such other senior executives who may from time to time be deemed subject to this Policy by the Company on Board (each, a "Covered Executive" and collectively, the basis of management's then-current expectations. The business in which the Company is engaged involves changing and competitive markets, which may involve a high degree of risk, and there can "Covered Executives"). Each Covered Executive shall be no assurance that forward-looking statements and projections will prove accurate.

Factors that may cause the Company's actual results to differ materially from those contemplated or projected, forecast, estimated or budgeted in such forward looking statements include among others, the following possibilities: (i) heightened competition, including the intensification of price competition, the entry of new competitors, and the introduction of new products by new and existing competitors; (ii) adverse state and federal legislation or regulation, including decreases in rates, limitations on premium levels, increases in minimum capital and reserve requirements, benefit mandates and tax treatment of insurance products; (iii) fluctuations in interest rates causing a reduction of investment income or increase in interest expense and in the market value of interest rate sensitive investment; (iv) failure to obtain new customers, retain existing customers or reductions in policies in force by existing customers; (v) higher service, administrative, or general expenses due to the need for additional advertising, marketing, administrative or management information systems expenditures; (vi) loss or retirement of key executives or employees; (vii) increases in medical costs; (viii) changes in the Company's liquidity due to changes in asset and liability matching; (ix) restrictions on insurance underwriting based on genetic testing and other criteria; (x) adverse changes in the ratings obtained by independent rating agencies; (xi) failure to maintain adequate reinsurance; (xii) possible claims relating to sales practices for insurance products and claim denials; (xiii) adverse trends in mortality and morbidity; (xiv) deterioration of real estate markets; and (xv) lawsuits in the ordinary course of business.

Off-Balance Sheet Agreements

The Company has entered into commitments to fund construction and land development loans and has also provided financing for land acquisition and development. As of December 31, 2022, the Company's commitments were approximately \$231,250,000 for these loans, of which \$175,754,000 had been funded. The Company advances funds once the work has been completed and an 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 5.25% to 8.50% per annum. Maturities generally range between six and eighteen months.

Contractual Obligations

In the ordinary course of the Company's operations, the Company enters into certain contractual obligations. Such obligations include operating leases for office space, agreements with respect to borrowed funds and future policy benefits. See Notes 7, 22, 24 of the Notes to Consolidated Financial Statements for more information about these obligations.

Casualty Insurance Program

In conjunction with the Company's casualty insurance program, limited equity interests are held in a captive insurance entity. This program permits the Company to self-insure a portion of losses, to gain access to a wide array of safety-related services, to pool insurance risks and resources in order to obtain more competitive pricing for administration and reinsurance and to limit its risk of loss in any particular year. The maximum exposure to loss related to the Company's involvement with this entity is limited to approximately \$443,758, which is collateralized under a standby letter of credit issued on the insurance entity's behalf. See Note 10, "Reinsurance, Commitments and Contingencies," for additional discussion of commitments associated with the insurance program. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid.

Item 7A. 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 8. Financial Statements **sign** and Supplementary Data
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page No.
Financial Statements:	
Report of Independent Registered Public Accounting Firm (PCAOB ID No. 34)	33
Consolidated Balance Sheets, December 31, 2022 and 2021	35
Consolidated Statements of Earnings for the Years Ended December 31, 2022 and 2021	37
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2022 and 2021	38
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2022 and 2021	39
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021	40
Notes to Consolidated Financial Statements	42

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Security National Financial Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years then ended, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no opinion on the effectiveness of the Company's internal control over financial reporting.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Future Policy Benefits and Amortization of Deferred Policy Acquisition Costs for Insurance Contracts and Value of Business Acquired - Refer to Notes 1 and 22 to the financial statements

Critical Audit Matter Description

The Company's management sets assumptions in (1) estimating a liability for policy benefit payments that will be made in the future (future policy benefits) and (2) determining amortization of deferred policy acquisition costs for insurance contracts and value of business acquired. The most significant assumptions include mortality, lapse, and projected investment yield. Assumptions are determined based upon analysis of Company specific experience, industry standards, adjusted for changes in exposure and other relevant factors. Given the inherent uncertainty of these significant assumptions, auditing the development of such assumptions involved especially subjective judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's judgments regarding the assumptions used in the development of future policy benefits and the amortization of deferred policy acquisition costs for insurance contracts and value of business acquired, included the following, among others:

- We tested the design and implementation of controls over the assumption development process, the valuation of future policy benefits, and the amortization of deferred policy acquisition costs for insurance contracts and value of business acquired.
- With the assistance of our actuarial specialists, we:
 - evaluated management's selected actuarial assumptions, including testing the accuracy and completeness of the supporting experience studies,
 - evaluated management's judgments regarding the assumptions used in the development of future policy benefits and the amortization of deferred policy acquisition costs and value of business acquired,
 - evaluated the results of the Company's annual premium deficiency tests.

/s/ Deloitte & Touche LLP

Salt Lake City, UT

March 31, 2023

We have served as the Company's auditor since 2017.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	December 31	
	2022	2021
Assets		
Investments:		
Fixed maturity securities, available for sale, at estimated fair value (amortized cost of \$362,750,511 and \$236,303,310 for 2022 and 2021)	\$ 345,858,492	\$ 259,287,603
Equity securities at estimated fair value (cost of \$9,942,265 and \$8,275,772 for 2022 and 2021)	11,682,526	11,596,414
Mortgage loans held for investment (net of allowances for loan losses of \$1,970,311 and \$1,699,902 for 2022 and 2021)	308,123,927	277,306,046
Real estate held for investment (net of accumulated depreciation of \$23,793,204 and \$17,692,038 for 2022 and 2021)	191,328,616	197,365,797
Real estate held for sale	11,161,582	3,731,300
Other investments and policy loans (net of allowances for doubtful accounts of \$1,609,951 and \$1,686,218 for 2022 and 2021)	70,508,156	67,955,155
Accrued investment income	10,299,826	6,313,012
Total investments	948,963,125	823,555,327
Cash and cash equivalents	120,919,805	131,354,470
Loans held for sale at estimated fair value	141,179,620	302,776,827
Receivables (net of allowances for doubtful accounts of \$2,229,791 and \$1,800,725 for 2022 and 2021)	28,573,092	18,316,116
Restricted assets (including \$6,565,552 and \$5,205,510 for 2022 and 2021 at estimated fair value)	18,935,055	16,938,122
Cemetery perpetual care trust investments (including \$3,859,893 and \$4,087,245 for 2022 and 2021 at estimated fair value)	7,276,210	7,835,721
Receivable from reinsurers	15,033,938	14,850,608
Cemetery land and improvements	9,101,474	8,977,877
Deferred policy and pre-need contract acquisition costs	108,655,128	105,049,983
Mortgage servicing rights, net	3,039,765	53,060,455
Property and equipment, net	20,579,649	21,517,598
Value of business acquired	9,803,736	8,421,432
Goodwill	5,253,783	5,253,783
Other	23,798,512	29,684,987
Total Assets	\$ 1,461,112,892	\$ 1,547,593,306

See accompanying notes to consolidated financial statements.

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

	December 31	
	2022	2021
Liabilities and Stockholders' Equity		
Liabilities		
Future policy benefits and unpaid claims	\$ 889,327,303	\$ 863,274,693
Unearned premium reserve	2,773,616	3,060,738
Bank and other loans payable	161,712,804	251,286,927
Deferred pre-need cemetery and mortuary contract revenues	16,226,836	14,508,022
Cemetery perpetual care obligation	5,099,542	4,915,285
Accounts payable	5,361,449	10,166,573
Other liabilities and accrued expenses	57,113,888	69,578,138
Income taxes	30,710,527	31,036,096
Total liabilities	<u>1,168,325,965</u>	<u>1,247,826,472</u>
Stockholders' Equity		
Preferred Stock:		
Preferred stock - non-voting-\$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Common Stock:		
Class A: common stock - \$2.00 par value; 40,000,000 shares authorized; issued 18,758,031 shares in 2022 and 17,642,722 shares in 2021	37,516,062	35,285,444
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; issued 2,889,859 shares in 2022 and 2,866,565 shares in 2021	5,779,718	5,733,130
Additional paid-in capital	64,767,769	57,985,947
Accumulated other comprehensive income (loss), net of taxes	(13,070,277)	18,070,448
Retained earnings	202,160,306	184,537,489
Treasury stock, at cost - 525,870 Class A shares and 109,193 Class C shares in 2022; 34,016 Class A shares and 109,193 Class C shares in 2021	<u>(4,366,651)</u>	<u>(1,845,624)</u>
Total stockholders' equity	<u>292,786,927</u>	<u>299,766,834</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,461,112,892</u>	<u>\$ 1,547,593,306</u>

See accompanying notes to consolidated financial statements.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS**

	Years Ended December 31	
	2022	2021
Revenues:		
Mortgage fee income	\$ 173,499,681	\$ 263,418,230
Insurance premiums and other considerations	105,001,640	100,254,573
Net investment income	66,197,592	58,264,683
Net mortuary and cemetery sales	26,993,855	23,997,313
Gains (losses) on investments and other assets	(857,460)	6,265,134
Other than temporary impairments on investments	-	(39,502)
Other	18,817,020	18,535,111
Total revenues	<u>389,652,328</u>	<u>470,695,542</u>
Benefits and expenses:		
Death benefits	59,377,962	63,247,616
Surrenders and other policy benefits	4,688,470	3,970,839
Increase in future policy benefits	28,858,969	26,263,312
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	17,950,202	16,142,970
Selling, general and administrative expenses:		
Commissions	63,321,092	118,286,469
Personnel	100,111,523	100,740,161
Advertising	5,697,998	6,626,418
Rent and rent related	6,883,013	7,242,287
Depreciation on property and equipment	2,496,906	1,935,613
Costs related to funding mortgage loans	7,540,041	10,541,570
Other	45,797,753	53,065,982
Interest expense	7,830,443	7,127,516
Cost of goods and services sold – cemeteries and mortuaries	4,721,094	3,704,014
Total benefits and expenses	<u>355,275,466</u>	<u>418,894,767</u>
Earnings before income taxes	34,376,862	51,800,775
Income tax expense	(8,686,560)	(12,281,785)
Net earnings	<u>\$ 25,690,302</u>	<u>\$ 39,518,990</u>
Net earnings per Class A equivalent common share (1)	<u>\$ 1.22</u>	<u>\$ 1.87</u>
Net earnings per Class A equivalent common share - assuming dilution (1)	<u>\$ 1.17</u>	<u>\$ 1.80</u>
Weighted average Class A equivalent common shares outstanding (1)	21,137,941	21,146,713
Weighted average Class A equivalent common shares outstanding-assuming dilution (1)	21,946,244	21,959,629

- (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 consolidated financial statements.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2022	2021
Net earnings	\$ 25,690,302	\$ 39,518,990
Other comprehensive income:		
Unrealized losses on fixed maturity securities available for sale	(39,331,688)	(6,517,731)
Unrealized losses on restricted assets	(71,035)	(23,250)
Unrealized losses on cemetery perpetual care trust investments	(20,446)	(11,114)
Foreign currency translation adjustments	-	2,835
Other comprehensive loss, before income tax	(39,423,169)	(6,549,260)
Income tax benefit	8,282,444	1,376,575
Other comprehensive loss, net of income tax	(31,140,725)	(5,172,685)
Comprehensive income (loss)	\$ (5,450,423)	\$ 34,346,305

See accompanying notes to consolidated financial statements.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2020	\$ 33,191,566	\$ 5,359,206	\$ 50,287,253	\$ 23,243,133	\$ 153,739,167	\$ (1,833,272)	\$ 263,987,053
Net earnings	-	-	-	-	39,518,990	-	39,518,990
Other comprehensive loss	-	-	-	(5,172,685)	-	-	(5,172,685)
Stock based compensation expense	-	-	118,384	-	-	-	118,384
Exercise of stock options	320,564	209,312	547,549	-	-	-	1,077,425
Sale of treasury stock	-	-	250,019	-	-	5,757,383	6,007,402
Purchase of treasury stock	-	-	-	-	-	(5,769,735)	(5,769,735)
Stock dividends	1,674,820	263,106	6,782,742	-	(8,720,668)	-	-
Conversion Class C to Class A	98,494	(98,494)	-	-	-	-	-
Balance at December 31, 2021	35,285,444	5,733,130	57,985,947	18,070,448	184,537,489	(1,845,624)	299,766,834
Net earnings	-	-	-	-	25,690,302	-	25,690,302
Other comprehensive loss	-	-	-	(31,140,725)	-	-	(31,140,725)
Stock based compensation expense	-	-	929,692	-	-	-	929,692
Exercise of stock options	219,174	-	(75,742)	-	-	-	143,432
Sale of treasury stock	-	-	(187,757)	-	-	5,249,054	5,061,297
Purchase of treasury stock	-	-	106,176	-	-	(7,770,081)	(7,663,905)
Stock dividends	1,779,108	278,924	6,009,453	-	(8,067,485)	-	-
Conversion Class C to Class A	232,336	(232,336)	-	-	-	-	-
Balance at December 31, 2022	<u>\$ 37,516,062</u>	<u>\$ 5,779,718</u>	<u>\$ 64,767,769</u>	<u>\$ (13,070,277)</u>	<u>\$ 202,160,306</u>	<u>\$ (4,366,651)</u>	<u>\$ 292,786,927</u>
See accompanying notes to consolidated financial statements.							

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2022	2021
Cash flows from operating activities:		
Net earnings	\$ 25,690,302	\$ 39,518,990
Adjustments to reconcile net earnings to net cash used in operating activities:		
Losses (gains) on investments and other assets	857,460	(6,265,134)
Other than temporary impairments on investments	-	39,502
Depreciation	8,598,072	5,540,672
Provision for loan losses and doubtful accounts	1,331,887	965,736
Net amortization of deferred fees and costs, premiums and discounts	(1,018,200)	(1,154,604)
Provision for deferred income taxes	(9,954,005)	11,308,436
Policy and pre-need acquisition costs deferred	(20,233,669)	(19,985,257)
Policy and pre-need acquisition costs amortized	16,685,871	15,027,841
Value of business acquired amortized	1,264,331	1,115,129
Mortgage servicing rights, additions	(10,243,922)	(32,701,819)
Amortization of mortgage servicing rights	9,078,706	14,851,880
Net gains on the sale of mortgage servicing rights	(34,051,938)	-
Stock based compensation expense	929,692	118,384
Benefit plans funded with treasury stock	5,061,297	6,007,402
Net change in fair value of loans held for sale	8,834,797	8,783,376
Originations of loans held for sale	(3,373,554,484)	(5,611,189,587)
Proceeds from sales of loans held for sale	3,549,405,402	5,900,076,766
Net gains on sales of loans held for sale	(74,779,721)	(177,876,915)
Change in assets and liabilities:		
Land and improvements held for sale	(123,597)	441,839
Future policy benefits and unpaid claims	27,487,657	22,104,116
Other operating assets and liabilities	(815,484)	(32,088,511)
Net cash provided by operating activities	<u>130,450,454</u>	<u>144,638,242</u>
Cash flows from investing activities:		
Purchases of fixed maturity securities	(151,581,252)	(18,857,131)
Sales, calls and maturities of fixed maturity securities	25,163,141	48,015,753
Purchase of equity securities	(4,193,460)	(1,950,554)
Sales of equity securities	2,804,274	3,868,061
Net changes in restricted assets	(862,654)	473,156
Net changes in cemetery perpetual care trust investments	1,205,208	(143,379)
Mortgage loans held for investment, other investments and policy loans made	(752,301,471)	(838,524,150)
Payments received for mortgage loans held for investment, other investments and policy loans	759,243,828	818,108,666
Proceeds from the sale of mortgage servicing rights	79,981,150	-
Purchases of property and equipment	(1,600,195)	(5,219,928)
Sales of property and equipment	69,248	-
Purchases of real estate	(20,458,983)	(92,403,534)
Sales of real estate	25,369,430	35,644,576
Cash paid for purchase of subsidiaries, net of cash acquired	-	(12,625,142)
Net cash used in investing activities	<u>(37,161,736)</u>	<u>(63,613,606)</u>

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

	Years Ended December 31	
	2022	2021
Cash flows from financing activities:		
Investment contract receipts	11,730,820	11,481,349
Investment contract withdrawals	(15,795,677)	(15,244,629)
Proceeds from stock options exercised	143,432	1,077,425
Purchase of treasury stock	(7,663,905)	(5,769,735)
Repayment of bank loans	(50,308,296)	(69,039,725)
Proceeds from bank loans	59,618,050	106,995,930
Net change in warehouse line borrowings for loans held for sale	(98,943,607)	(84,576,055)
Net cash used in financing activities	(101,219,183)	(55,075,440)
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	(7,930,465)	25,949,196
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	141,414,282	115,465,086
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year	\$ 133,483,817	\$ 141,414,282

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$ 7,697,921	\$ 7,290,867
Income taxes	729,687	5,127,913

Non Cash Investing and Financing Activities:

Transfer of loans held for sale to mortgage loans held for investment	\$ 51,691,213	\$ 201,951
Mortgage loans held for investment foreclosed into real estate held for investment	10,998,485	931,079
Right-of-use assets obtained in exchange for operating lease liabilities	2,054,534	5,216,048
Accrued real estate construction costs and retainage	1,025,397	4,400,320
Transfer of property and equipment to real estate held for investment	-	3,108,681

See Note 20 regarding non cash transactions included in the acquisitions of Rivera Funerals, Cremations and Memorial Gardens and Holbrook Mortuary

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

	Years Ended December 31	
	2022	2021
Cash and cash equivalents	\$ 120,919,805	\$ 131,354,470
Restricted assets	10,638,034	9,000,293
Cemetery perpetual care trust investments	1,925,978	1,059,519
Total cash, cash equivalents, restricted cash and restricted cash equivalents	\$ 133,483,817	\$ 141,414,282

See accompanying notes to consolidated financial statements.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies

General Overview of Business

Security National Financial Corporation and its wholly owned subsidiaries (the “Company”) operate in three reportable business segments: life insurance, cemetery and mortuary, and mortgages. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance marketed primarily in the states located in western, mid-western and southern regions of the United States. The cemetery and mortuary segment of the Company consists of eight mortuaries and five cemeteries in Utah, one cemetery in California, and four mortuaries and one cemetery in New Mexico. The mortgage segment is an approved government and conventional lender that originates and underwrites residential and commercial loans for new construction, existing homes and real estate projects primarily in Florida, Nevada, Texas, and Utah.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Principles of Consolidation

These consolidated financial statements include the financial statements of the Company and its majority owned subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

Management of the Company has made a number of estimates and assumptions related to the reported amounts of assets and liabilities, reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. 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; 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 allowances for loan losses for mortgage loans held for investment; 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.

Investments

The Company’s management determines the appropriate classifications of investments in fixed maturity securities and equity securities at the acquisition date and re-evaluates the classifications at each balance sheet date.

Fixed maturity securities available for sale are carried at estimated fair value. Changes in fair values are reported as unrealized gains or losses and are recorded in accumulated other comprehensive income.

Equity securities are carried at estimated fair value. Changes in fair values are reported as unrealized gains or losses and are recorded through net earnings as a component of gains on investments and other assets.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (Continued)

Mortgage loans held for investment are carried at their unpaid principal balances adjusted for net deferred fees, net discounts, charge-offs and the related allowance for loan losses. Interest income is included in net investment income on the consolidated statements of earnings and is recognized when earned. The Company defers related loan origination fees, net of related direct loan origination costs, and amortizes the net fees over the term of the loans. Origination fees are included in net investment income on the consolidated statements of earnings. Mortgage loans are secured **bound** by the underlying property **terms** and require an appraisal at the time of underwriting and funding. Generally, the Company will fund a loan not to exceed 80% of the loan's collateral fair market value. Amounts over 80% will require additional collateral or mortgage insurance by an approved third-party insurer.

Real estate held for investment is carried at cost, less accumulated depreciation provided on a straight-line basis over the estimated useful lives of the properties, or is adjusted to a new basis for impairment in value, if any. Included are foreclosed properties which the Company intends to hold for investment purposes. These properties are recorded at the lower of cost or fair value upon foreclosure. Also, included are residential subdivision land developments which are carried at cost.

Real estate held for sale is carried at lower of cost or fair value. Depreciation is not recognized on real estate classified as held for sale.

Other investments and policy loans are carried at the aggregate unpaid balances, less allowances for losses.

Accrued investment income refers to earned income from investments that has not yet been received by the Company.

Gains and losses on investments (except for equity securities carried at fair value through net earnings) arise when investments are sold (as determined on a specific identification basis) or are other than temporarily impaired. If in management's judgment a decline in the value of an investment below cost is other than temporary, the cost of the investment is written down to fair value **comply** with a corresponding charge to earnings. Factors considered in judging whether an impairment is other than temporary include: the financial condition, business prospects and credit worthiness of the issuer, the length of time that fair value has been less than cost, the relative amount of the decline, and the Company's ability and intent to hold the investment until the fair value recovers, which is not assured. **this Policy.**

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts, which at times exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Loans Held for Sale

Accounting Standards Codification ("ASC") No. 825, "Financial Instruments", allows for the option to report certain financial assets and liabilities at fair value initially and at subsequent measurement dates with changes in fair value included in earnings. The option may be applied instrument by instrument, but it is irrevocable. The Company elected the fair value option for loans held for sale. The Company believes the fair value option most closely aligns the timing of the recognition of gains and costs. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans. Electing fair value also reduces certain timing differences and better matches changes in the fair value of these assets with changes in the fair value of the related derivatives used for these assets. See Note 3 and Note 17 to Consolidated Financial Statements for additional disclosures regarding loans held for sale.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant IV. Recoupment; Accounting Policies (Continued) Restatement

Mortgage Fee Income

Mortgage fee income consists of origination fees, processing fees, interest income and certain other income related to the origination of mortgage loans held for sale. All revenues and costs are recognized when the mortgage loan is funded and any changes in fair value are shown as a component of mortgage fee income. See Note 3 and Note 17 to Consolidated Financial Statements for additional disclosures regarding loans held for sale.

The Company, through its mortgage subsidiaries, sells mortgage loans to third-party investors without recourse unless defects are identified in the representations and warranties made at loan sale. It may be required, however, to repurchase a loan or pay a fee instead of repurchase under certain events, which include the following:

- Failure to deliver original documents specified by the investor,
- The existence of misrepresentation or fraud in the origination of the loan,
- The loan becomes delinquent due to nonpayment during the first several months after it is sold,
- Early pay-off of a loan, as defined by the agreements,
- Excessive time to settle a loan,
- Investor declines purchase, and
- Discontinued product and expired commitment.

Loan purchase commitments generally specify a date 30 to 45 days after delivery upon which the underlying loans should be settled. Depending on market conditions, these commitment settlement dates can be extended at a cost to the Company.

It is the Company's policy to cure any documentation problems regarding such loans at a minimal cost for up to a six-month time period and to pursue efforts to enforce loan purchase commitments from third-party investors concerning the loans. The Company believes that six months allows adequate time to remedy any documentation issues, to enforce purchase commitments, and to exhaust other alternatives.

Remedial methods include the following:

- Research reasons for rejection,
- Provide additional documents,
- Request investor exceptions,
- Appeal rejection decision to purchase committee, and
- Commit to secondary investors.

Once purchase commitments have expired and other alternatives to remedy are exhausted, which could be earlier than the six-month time period, the loans are repurchased and transferred to the long-term investment portfolio at the lower of cost or fair value and previously recorded mortgage fee income that was to be received from a third-party investor is written off against the loan loss reserve.

Determining Fair Value

Cost for loans held for sale is equal to the amount paid to the warehouse bank and the amount originally funded by the Company. Fair value is often difficult to determine and may contain significant unobservable inputs, but is based on the following:

- For loans that are committed, the Company uses the commitment price.
- For loans that are non-committed that have an active market, the Company uses the market price.
- For loans that are non-committed where there is no market but there is a similar product, the Company uses the market value for the similar product.
- For loans that are non-committed where no active market exists, the Company determines that the unpaid principal balance best approximates the market value, after considering the fair value of the underlying real estate collateral, estimated future cash flows, and the loan interest rate.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (Continued)

The appraised value of the real estate underlying the original mortgage loan adds support to the Company's determination of fair value because if the loan becomes delinquent, the Company has sufficient value to collect the unpaid principal balance or the carrying value of the loan, thus minimizing credit losses.

The majority of loans originated are sold to third-party investors. The amounts expected to be sold to investors are shown on the consolidated balance sheets as loans held for sale.

Loan Loss Reserve

The loan loss reserve is an estimate of probable losses at the balance sheet date that the Company will realize in the future on loans sold. The Company may be required to reimburse third-party investors for costs associated with early payoff of loans within six months of origination of such loans and to repurchase loans where there is a default in any of the first four monthly payments to the investors or, in lieu of repurchase, to pay a negotiated fee to the investors. The Company's estimates are based upon historical loss experience and the best estimate of the probable loan loss liabilities.

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions. The Company accrues a monthly allowance for indemnification losses to investors based on total production. This estimate is based on the Company's historical experience and is included as a component of mortgage fee income. Subsequent updates to the recorded liability from changes in assumptions are recorded in selling, general and administrative expenses as a component of provision for loan loss reserve. The estimated liability for indemnification losses is included in other liabilities and accrued expenses.

The loan loss reserve analysis involves mortgage loans that have been sold to third-party investors, which were believed to have met investor underwriting guidelines at the time of sale, where the Company has received a demand from the investor. There are generally three types of demands: make whole, repurchase, or indemnification. These types of demands are further described as follows:

Make whole demand — A make whole demand occurs when an investor forecloses on a property and then sells the property. The make whole amount is calculated as the difference between the original unpaid principal balance, payments received, accrued interest and fees, less the sale proceeds.

Repurchase demand — A repurchase demand usually occurs when there is a significant payment default, error in underwriting or detected loan fraud.

Indemnification demand — On certain loans the Company has negotiated a set fee that is to be paid in lieu of repurchase. The fee varies by investor and by loan product type.

The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of the balance sheet date.

Additional information related to the Loan Loss Reserve is included in Note 3.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets are assets held in a trust account for future mortuary services and merchandise and consist of cash and cash equivalents; participations in mortgage loans held for investment with Security National Life Insurance Company ("Security National Life"); mutual funds carried at estimated fair value; equity securities carried at estimated fair value; and a surplus note with Security National Life (which is eliminated in consolidation). Restricted assets also include 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 funded its medical benefit safe-harbor limit based on the qualified direct costs, and has included this amount as a component of restricted cash.

Cemetery Perpetual Care Trust Investments

Cemetery endowment care trusts have been set up for five of the seven cemeteries owned by the Company. Under endowment care arrangements a portion of the price for each lot sold is withheld and invested in a portfolio of investments similar to those described in the prior paragraph. The earnings stream from the investments is designed to fund future maintenance and upkeep of the cemetery.

Cemetery Land and Improvements

The development of a cemetery involves not only the initial acquisition of raw land but also the installation of roads, water lines, landscaping and other costs to establish a marketable cemetery lot. The costs of developing the cemetery are shown as an asset on the balance sheet. The amount on the balance sheet is reduced by the total cost assigned to the development of a particular lot when the criterion for recognizing a sale of that lot is met.

Deferred Policy Acquisition Costs and Value of Business Acquired

Commissions and other costs, net of commission and expense allowances for reinsurance ceded, that vary with and are primarily related to the production of new insurance business have been deferred. Deferred policy acquisition costs ("DAC") for traditional life insurance are amortized over the premium paying period of the related policies using assumptions consistent with those used in computing policy benefit reserves. For interest-sensitive insurance products, deferred policy acquisition costs are amortized generally in proportion to the present value of expected gross profits from surrender charges, investment, mortality and expense margins. This amortization is adjusted when estimates of current or future gross profits to be realized from a group of products are reevaluated. Deferred acquisition costs are written off when policies lapse or are surrendered.

When accounting for DAC, the Company considers internal replacements of insurance and investment contracts. An internal replacement is a modification in product benefits, features, rights or coverage that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to contract, or by the election of a feature or coverage within a contract. Modifications that result in a replacement contract that is substantially changed from the replaced contract are accounted for as an extinguishment of the replaced contract. Unamortized DAC, unearned revenue liabilities and deferred sales inducements from the replaced contract are written-off. Modifications that result in a contract that is substantially unchanged from the replaced contract are accounted for as a continuation of the replaced contract.

Value of business acquired ("VOBA") is the present value of estimated future profits of the acquired business and is amortized similar to deferred policy acquisition costs.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (Continued)

Premium Deficiency and Loss Recognition Testing

At least annually, the Company tests the adequacy of the net benefit reserves (liability for future policy benefits, net of DAC and VOBA) recorded for life insurance and annuity products. The Company tests for recoverability by using the Company's current best-estimate assumptions as to policyholder mortality, persistency, maintenance expenses and invested asset returns. These tests evaluate whether the present value of future contract-related cash flows will support the capitalized DAC and VOBA assets. These cash flows consist primarily of premium income, less benefits and expenses. If the current contract liabilities plus the present value of future premiums is greater than the sum of the present values of future policy benefits, commissions, and expenses plus the current DAC and VOBA less unearned premium reserve balances, then the capitalized assets are deemed recoverable. The present values are calculated using the best estimate of the after tax net investment earned rate.

Mortgage Servicing Rights

Mortgage Servicing Rights ("MSR") arise from contractual agreements between the Company and third-party investors (or their agents) when mortgage loans are sold. Under these contracts, the Company is obligated to retain and provide loan servicing functions on loans sold, in exchange for fees and other remuneration. The servicing functions typically performed include, among other responsibilities, collecting and remitting loan payments; responding to borrower inquiries; accounting for principal and interest, holding custodial (impound) funds for payment of property taxes and insurance premiums; counseling delinquent mortgagors; and supervising the acquisition of real estate owned and property dispositions.

The total residential mortgage loans serviced for others consist primarily of agency conforming fixed-rate mortgage loans. The value of MSRs is derived from the net cash flows associated with the servicing contracts. The Company receives a servicing fee of generally about 0.25% annually on the remaining outstanding principal balances of the loans. Based on the result of the cash flow analysis, an asset or liability is recorded for mortgage servicing rights. The servicing fees are collected from the monthly payments made by the mortgagors. The Company generally receives other remuneration including rights to various mortgagor-contracted fees such as late charges, and collateral reconveyance charges and the Company is generally entitled to retain the interest earned on funds held pending remittance of mortgagor principal, interest, tax and insurance payments. Contractual servicing fees and late fees are included in other revenues on the consolidated statements of earnings.

The Company's subsequent accounting for MSRs is based on the class of MSRs. The Company has identified two classes of MSRs: MSRs backed by mortgage loans with initial term of 30 years and MSRs backed by mortgage loans with initial term of 15 years. The Company distinguishes between these classes of MSRs due to their differing sensitivities to change in value as the result of changes in market. 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.

Interest rate risk, prepayment risk, and default risk are inherent risks in MSR valuation. Interest rate changes largely drive prepayment rates. Refinance activity generally increases as rates decline. A significant decrease in rates beyond expectation could cause a decline in the value of the MSR. On the contrary, if rates increase borrowers are less likely to refinance or prepay their mortgage, which extends the duration of the loan and MSR values are likely to rise. Because of these risks, discount rates and prepayment speeds are used to estimate the fair value.

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.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (Continued)

Management periodically reviews the various loan strata to determine whether the value of the MSRs in a given stratum is impaired and likely to recover. When management 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.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated principally on the straight-line method over the estimated useful lives of the assets which range from three to forty years. Leasehold improvements paid for by the Company as a lessee are amortized over the lesser of the useful life or remaining lease terms.

Long-lived Assets

Long-lived assets to be held and used, including property and equipment and real estate held for investment, are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. No impairment of long-lived assets has been recognized in the accompanying financial statements except for certain impairments of real estate held for sale as disclosed in Note 2.

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 a number of 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 take into account all of 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. 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 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 fund within the terms of the commitments.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (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 consolidated balance sheets.

Call and Put Option Derivatives

The Company uses a strategy of selling “out of the money” call options on its equity securities as a source of revenue. The options give the purchaser the right to buy from the Company specified equity securities at a set price up to a pre-determined date in the future. The Company uses the strategy of selling put options as a means of generating cash or purchasing equity securities at lower than current market prices. The Company receives an immediate payment of cash for the value of the option and establishes a liability for the fair value of the option. The liability for options is adjusted to fair value at each reporting date. In the event a call option is exercised, the Company sells the equity security at a favorable price enhanced by the value of the option that was sold. If the option expires unexercised, the Company recognizes a gain from the expired option. In the event a put option is exercised, the Company acquires an equity security at the strike price of the option reduced by the value received from the sale of the put option. The equity security is then treated as a normal equity security in the Company’s portfolio. The net changes in the fair value of call and put options are shown in current earnings as a component of gains (losses) on investments and other assets. Call and put options are shown in other liabilities and accrued expenses on the consolidated balance sheets.

Allowance for Doubtful Accounts and Loan Losses and Impaired Loans

The Company records an allowance and recognizes an expense for potential losses from mortgage loans held for investment, other investments and receivables in accordance with GAAP.

Receivables are the result of cemetery and mortuary operations, mortgage loan operations and life insurance operations. The allowance is based upon the Company’s historical experience for collectively evaluated impairment. Other allowances are based upon receivables individually evaluated for impairment. Collectability of the cemetery and mortuary receivables is significantly influenced by current economic conditions. The critical issues that impact recovery of mortgage loan operations are interest rate risk, loan underwriting, new regulations and the overall economy.

The Company provides for losses on its mortgage loans held for investment through an allowance for loan losses (a contra-asset account). The allowance is comprised of two components. The first component is an allowance for collectively evaluated impairment that is based upon the Company’s historical experience in collecting similar receivables. The second component is based upon individual evaluation of loans that are determined to be impaired. As a practical expedient, upon determining impairment, the Company establishes an individual impairment allowance based upon an assessment of the fair value of the underlying collateral. See the schedules in Note 2 for additional information. In addition, when a mortgage loan is past due more than 90 days, the Company does not accrue any interest income. When a loan becomes delinquent, the Company proceeds to foreclose on the real estate and all expenses for foreclosure are expensed as incurred. Once foreclosed, an adjustment for the lower of cost or fair value is made, if necessary, and the amount is classified as real estate held for investment or held for sale.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

1) Significant Accounting Policies (Continued)

The allowance for losses on mortgage loans held for investment could change based on changes in the value of the underlying collateral, the performance status of the loans, or the Company's actual collection experience. The actual losses could change, in the near term, from the established allowance, based upon the occurrence or non-occurrence of these events.

For purposes of determining the allowance for 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 secondary on the borrower's (or guarantors) ability to repay.

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

Residential construction (including land acquisition and development) — 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. These loans will rely on the value associated with the project upon completion. These cost and valuation estimates may be inaccurate. 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 is underwritten according to the Company's policies, which include independent appraisal valuations as well as the estimated value associated with the land upon completion of development into finished lots. These cost and valuation estimates may be inaccurate. These loans are considered to be 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.

Future Policy Benefits and Unpaid Claims

Future policy benefit reserves for traditional life insurance are computed using a net level method, including assumptions as to investment yields, mortality, morbidity, withdrawals, and other assumptions based on the life insurance subsidiaries' experience, modified as necessary to give effect to anticipated trends and to include provisions for possible unfavorable deviations. Such liabilities are, for some plans, graded to equal statutory values or cash values at or prior to maturity, which are deemed a reasonable equivalent for GAAP. The range of assumed interest rates for all traditional life insurance policy reserves was 4% to 10%. Benefit reserves for traditional limited-payment life insurance policies include the deferred portion of the premiums received during the premium-paying period. Deferred premiums are recognized as income over the life of the policies. Policy benefit claims are charged to expense in the period the claims are incurred. Increases in future policy benefits are charged to expense.

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 in excess of related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 3% to 6.5%.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

1) Significant Accounting Policies (Continued)

The Company records an unpaid claims liability for claims in the course of settlement equal to the death benefit amount less any reinsurance recoverable amount for claims reported. There is also an unpaid claims liability for claims incurred but not reported. This liability is based on the historical experience of the net amount of claims that were reported in reporting periods subsequent to the reporting period when claims were incurred.

Participating Insurance

Participating business constituted 2% of insurance in force for the years ended 2022 and 2021. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors. The expense recognized for policyholder dividends is included in surrenders and other policy benefits on the consolidated statements of earnings.

Recognition of Insurance Premiums and Other Considerations

Premiums and other consideration for traditional life insurance products (which include those products with fixed and guaranteed premiums and benefits and consist principally of whole life insurance policies, limited payment life insurance policies, and certain annuities with life contingencies) are recognized as revenues when due from policyholders. Premiums and other consideration for interest-sensitive insurance policies (which include universal life policies, interest-sensitive life policies, deferred annuities, and annuities without life contingencies) are recognized when earned and consist of amounts assessed against policyholder account balances during the period for policy administration charges and surrender charges.

Reinsurance

The Company follows the procedure of reinsuring risks in excess of \$100,000 to provide for greater diversification of business to allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. The Company remains liable for amounts ceded in the event the reinsurers are unable to meet their obligations.

The Company entered into coinsurance agreements with unaffiliated insurance companies under which the Company assumed 100% of the risk for certain life insurance policies and certain other policy-related liabilities of the insurance company.

Reinsurance premiums, commissions, expense reimbursements, and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Expense allowances received in connection with reinsurance ceded are accounted for as a reduction of the related policy acquisition costs and are deferred and amortized accordingly.

Pre-need Sales and Costs

Pre-need contract sales of funeral services and caskets - revenue and costs associated with the sales of pre-need funeral services and caskets are deferred until the performance obligations are fulfilled (services are performed or the caskets are delivered).

Sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sale of cemetery interment rights are deferred until 10% of the sales price has been collected.

Pre-need contract sales of cemetery merchandise (primarily markers and vaults) - revenue and costs associated with the sale of pre-need cemetery merchandise is deferred until the merchandise is delivered to the Company.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (Continued)

Pre-need contract sales of cemetery services (primarily merchandise delivery, installation fees and burial opening and closing fees) - revenue and costs associated with the sales of pre-need cemetery services are deferred until the services are performed.

Prearranged funeral and pre-need cemetery customer acquisition costs - costs incurred related to obtaining new pre-need contract cemetery and prearranged funeral services, which include only costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral services, are deferred until the merchandise is delivered or services are performed.

Revenues and costs for at-need sales are recorded when a valid contract exists, the services are performed, collection is reasonably assured and there are no significant performance obligations remaining.

The Company, through its cemetery and mortuary operations, provides guaranteed funeral arrangements wherein a prospective customer can receive future goods and services at guaranteed prices. To accomplish this, the Company, through its life insurance operations, sells to the customer an increasing benefit life insurance policy that is assigned to the mortuaries. If, at the time of need, the policyholder/potential mortuary customer utilizes one of the Company's facilities, the guaranteed funeral arrangement contract that has been assigned will provide the funeral goods and services at the contracted price. The increasing life insurance policy will cover the difference between the original contract prices and current prices. Risks may arise if the difference cannot be fully met by the life insurance policy. However, management believes that given current inflation rates and related price increases of goods and services, the risk of exposure is minimal.

Goodwill

Previous acquisitions have been accounted for as purchases under which assets acquired and liabilities assumed were recorded at their fair values with the excess purchase price recognized as goodwill. The Company evaluates annually or when changes in circumstances warrant the recoverability of goodwill and if there is a decrease in value, the related impairment is recognized as a charge against income. No impairment of goodwill has been recognized in the accompanying financial statements.

Other Intangibles

Other intangibles are recognized apart from goodwill whenever an acquired intangible asset arises from contractual or other legal rights, or whenever it is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset, or liability. The Company engages a third-party valuation firm to analyze the value of the intangible assets that result from significant acquisitions. The value of the intangible assets that result from these acquisitions are included in Other Assets and are determined using the income approach, relying on a relief from the royalty method.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (Continued)

Income Taxes

Income taxes include taxes currently payable plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences in the financial reporting basis and tax basis of assets and liabilities and operating loss carry-forwards. Deferred tax assets are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled.

Liabilities are established for uncertain tax positions expected to be taken in income tax returns when such positions are judged to meet the “more-likely-than-not” threshold based on the technical merits of the positions. Estimated interest and penalties related to uncertain tax penalties are included as a component of income tax expense.

Earnings Per Common Share

The Company computes earnings per share which requires presentation of basic and diluted earnings per share. Basic earnings per equivalent Class A common share are computed by dividing net earnings by the weighted-average number of Class A common shares outstanding during each year presented, after the effect of the assumed conversion of Class C common stock to Class A common stock. Diluted earnings per share is computed by dividing net earnings by the weighted-average number of common shares outstanding during the year used to compute basic earnings per share plus dilutive potential incremental shares by application of the treasury stock method. Basic and diluted earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends.

Stock Based Compensation

The cost of employee services received in exchange for an award of equity instruments is recognized in the financial statements and is measured based on the fair value on the grant date of the award. The fair value of stock options is calculated using the Black Scholes Option Pricing Model. Stock option compensation expense is recognized over the period during which an employee is required to provide service in exchange for the award and is included in personnel expenses on the consolidated statements of earnings.

Concentration of Credit Risk

For a description of the concentration risk regarding available for sale debt securities, mortgage loans held for investment and real estate held for investment, refer to Note 2, and for receivables from reinsurers, refer to Note 10 of the Notes to Consolidated Financial Statements.

Advertising

The Company expenses advertising costs as incurred.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

1) Significant Accounting Policies (Continued)

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 amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP 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, credit losses are measured in a manner similar to current GAAP; however, 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, determined that it would decrease the opening balance of retained earnings in stockholders’ equity by \$671,505 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	555,806
Total	665,029
Restricted assets - mortgage loans held for investment:	
Residential construction	3,463
Cemetery perpetual care trust investments - mortgage loans held for investment:	
Residential construction	3,013
Grand Total	671,505

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 ASU will improve the accounting for certain market-based options or guarantees associated with deposit or account balance contracts, simplify 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 made the ASU effective for the Company on January 1, 2025. The Company has made progress in the implementation of the new standard, including the involvement of actuaries, accountants, and systems specialists. However, the Company has not yet estimated the impact the new guidance will have 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.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

2) Investments

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

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
<u>December 31, 2022:</u>				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 93,182,210	\$ 180,643	\$ (2,685,277)	\$ 90,677,576
Obligations of states and political subdivisions	6,675,071	13,869	(458,137)	6,230,803
Corporate securities including public utilities	229,141,544	1,909,630	(11,930,773)	219,120,401
Mortgage-backed securities	33,501,686	168,700	(4,100,674)	29,569,712
Redeemable preferred stock	<u>250,000</u>	<u>10,000</u>	<u>-</u>	<u>260,000</u>
Total fixed maturity securities available for sale	<u>\$ 362,750,511</u>	<u>\$ 2,282,842</u>	<u>\$ (19,174,861)</u>	<u>\$ 345,858,492</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	<u>\$ 9,942,265</u>	<u>\$ 2,688,375</u>	<u>\$ (948,114)</u>	<u>\$ 11,682,526</u>
Total equity securities at estimated fair value	<u>\$ 9,942,265</u>	<u>\$ 2,688,375</u>	<u>\$ (948,114)</u>	<u>\$ 11,682,526</u>
Mortgage loans held for investment at amortized cost:				
Residential	\$ 93,355,623			
Residential construction	172,516,125			
Commercial	46,311,955			
Less: Unamortized deferred loan fees, net	(1,746,605)			
Less: Allowance for loan losses	(1,970,311)			
Less: Net discounts	<u>(342,860)</u>			
Total mortgage loans held for investment	<u>\$ 308,123,927</u>			
Real estate held for investment - net of accumulated depreciation:				
Residential	\$ 38,437,960			
Commercial	<u>152,890,656</u>			
Total real estate held for investment	<u>\$ 191,328,616</u>			

Real estate held for sale:	
Residential	\$ 11,010,029
Commercial	<u>151,553</u>
Total real estate held for sale	<u><u>\$ 11,161,582</u></u>
Other investments and policy loans at amortized cost:	
Policy loans	\$ 13,095,473
Insurance assignments	46,942,536
Federal Home Loan Bank stock (1)	2,600,300
Other investments	9,479,798
Less: Allowance for doubtful accounts	<u>(1,609,951)</u>
Total policy loans and other investments	<u><u>\$ 70,508,156</u></u>
Accrued investment income	<u><u>\$ 10,299,826</u></u>
Total investments	<u><u>\$ 948,963,125</u></u>

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

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

2) Investments (Continued)

The Company's investments as of December 31, 2021 are summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
December 31, 2021:				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 22,307,736	\$ 578,567	\$ -	\$ 22,886,303
Obligations of states and political subdivisions	4,649,917	212,803	(1,989)	4,860,731
Corporate securities including public utilities	174,711,061	21,791,370	(353,668)	196,148,763
Mortgage-backed securities	34,365,382	905,159	(161,332)	35,109,209
Redeemable preferred stock	269,214	13,383	-	282,597
Total fixed maturity securities available for sale	<u>\$ 236,303,310</u>	<u>\$ 23,501,282</u>	<u>\$ (516,989)</u>	<u>\$ 259,287,603</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	<u>\$ 8,275,772</u>	<u>\$ 3,626,444</u>	<u>\$ (305,802)</u>	<u>\$ 11,596,414</u>
Total equity securities at estimated fair value	<u>\$ 8,275,772</u>	<u>\$ 3,626,444</u>	<u>\$ (305,802)</u>	<u>\$ 11,596,414</u>
Mortgage loans held for investment at amortized cost:				
Residential	\$ 53,533,712			
Residential construction	175,117,783			
Commercial	51,683,022			
Less: Unamortized deferred loan fees, net	(918,586)			
Less: Allowance for loan losses	(1,699,902)			
Less: Net discounts	<u>(409,983)</u>			
Total mortgage loans held for investment	<u>\$ 277,306,046</u>			
Real estate held for investment - net of accumulated depreciation:				
Residential	\$ 41,972,462			
Commercial	<u>155,393,335</u>			
Total real estate held for investment	<u>\$ 197,365,797</u>			

Real estate held for sale:	
Residential	\$ 1,190,602
Commercial	<u>2,540,698</u>
Total real estate held for sale	<u>\$ 3,731,300</u>
Other investments and policy loans at amortized cost:	
Policy loans	\$ 13,478,214
Insurance assignments	48,632,808
Federal Home Loan Bank stock (1)	2,547,100
Other investments	4,983,251
Less: Allowance for doubtful accounts	<u>(1,686,218)</u>
Total policy loans and other investments	<u>\$ 67,955,155</u>
Accrued investment income	<u>\$ 6,313,012</u>
Total investments	<u>\$ 823,555,327</u>

(1) Includes \$905,700 of Membership stock and \$1,641,400 of Activity stock due to short-term advances and letters of credit.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

2) Investments (Continued)

Fixed Maturity Securities

The following table summarizes unrealized losses on fixed maturities securities available for sale that were carried at estimated fair value at December 31, 2022 and at December 31, 2021. The unrealized losses were primarily related to interest rate fluctuations and inflation. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities:

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value
<u>At December 31, 2022</u>						
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
Total unrealized losses	<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>
<u>At December 31, 2021</u>						
Obligations of States and Political Subdivisions	\$ 1,989	\$ 548,715	\$ -	\$ -	\$ 1,989	\$ 548,715
Corporate Securities	73,507	4,638,750	280,161	3,771,813	353,668	8,410,563
Mortgage and other asset-backed securities	72,952	7,934,760	88,380	1,582,804	161,332	9,517,564
Total unrealized losses	<u>\$ 148,448</u>	<u>\$ 13,122,225</u>	<u>\$ 368,541</u>	<u>\$ 5,354,617</u>	<u>\$ 516,989</u>	<u>\$ 18,476,842</u>

There were 713 securities with fair value of 93.6% of amortized cost at December 31, 2022. There were 55 securities with fair value of 97.3% of amortized cost at December 31, 2021. Credit losses of nil and \$39,502 have been recognized for the years ended December 31, 2022 and 2021, respectively.

On a quarterly basis, the Company evaluates its fixed maturity securities classified as available for sale. This evaluation includes a review of current ratings by the National Association of Insurance Commissioners ("NAIC"). Securities with a rating of 1 or 2 are considered investment grade and are not reviewed for impairment, unless current market or recent company news could lead to a credit downgrade. Securities with ratings of 3 to 5 are evaluated for impairment. Securities with a rating of 6 are automatically determined to be impaired and are written down. The evaluation involves an analysis of the securities in relation 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. If it is unlikely that the security will meet contractual obligations, the loss is considered to be other than temporary, the security is written down to the new anticipated market value and an impairment loss is recognized.

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.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

2) Investments (Continued)

The following table presents a rollforward of the Company's cumulative other than temporary credit impairments ("OTTI") recognized in earnings on fixed maturity securities available for sale.

	2022	2021
Balance of credit-related OTTI at January 1	\$ 264,977	\$ 370,975
Additions for credit impairments recognized on:		
Securities not previously impaired	-	39,502
Securities previously impaired	-	-
Reductions for credit impairments previously recognized on:		
Securities that matured or were sold during the period (realized)	(39,502)	(145,500)
Securities due to an increase in expected cash flows	-	-
Balance of credit-related OTTI at December 31	\$ 225,475	\$ 264,977

The following table presents the amortized cost and estimated fair value of fixed maturity securities available for sale at December 31, 2022, 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 Cost	Estimated Fair Value
Due in 1 year	\$ -	\$ -
Due in 2-5 years	139,431,212	135,093,083
Due in 5-10 years	87,552,213	84,011,366
Due in more than 10 years	102,015,400	96,924,331
Mortgage-backed securities	33,501,686	29,569,712
Redeemable preferred stock	250,000	260,000
Total	\$ 362,750,511	\$ 345,858,492

The Company is a member of the Federal Home Loan Bank of Des Moines and Dallas ("FHLB"). The Company pledged a total of \$93,034,880, at estimated fair value, of fixed maturity securities with the FHLB at December 31, 2022. These securities are used as collateral on any cash borrowings from the FHLB. As of December 31, 2022, the Company owed nil to the FHLB and its estimated maximum borrowing capacity was \$86,032,116.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

2) Investments (Continued)

Investment Related Earnings

The following table presents the net realized gains and losses from sales, calls, and maturities, unrealized gains and losses on equity securities, and other than temporary impairments from investments and other assets.

	Years Ended December 31	
	2022	2021
Fixed maturity securities available for sale:		
Gross realized gains	\$ 205,949	\$ 984,740
Gross realized losses	(43,776)	(139,728)
Other than temporary impairments	-	(39,502)
Equity securities:		
Gains (losses) on securities sold	(10,519)	390,597
Unrealized gains (losses) on securities held at the end of the period	(2,109,556)	2,732,130
Mortgage loans held for investment:		
Gross realized gains	-	1,890,826
Gross realized losses	-	(4,190)
Real estate held for investment and sale:		
Gross realized gains	1,239,332	2,347,924
Gross realized losses	(825,593)	(2,426,428)
Other assets, including call and put option derivatives:		
Gross realized gains	686,703	547,785
Gross realized losses	-	(58,522)
Total	<u>\$ (857,460)</u>	<u>\$ 6,225,632</u>

The net 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 \$817,000 in net losses and \$933,045 in net gains for the years ended December 31, 2022 and 2021, respectively.

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

	Years Ended December 31	
	2022	2021
Proceeds from sales	\$ 3,091,105	\$ 2,896,351
Gross realized gains	24,281	208,698
Gross realized losses	(32,976)	(4,046)

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

2) Investments (Continued)

Major categories of net investment income were as follows:

	Years Ended December 31	
	2022	2021
Fixed maturity securities available for sale	\$ 12,395,764	\$ 10,769,979
Equity securities	511,118	446,337
Mortgage loans held for investment	34,949,763	28,758,614
Real estate held for investment and sale	14,563,269	12,334,989
Policy loans	932,362	940,890
Insurance assignments	18,112,840	19,062,052
Other investments	518,865	131,145
Cash and cash equivalents	1,666,945	235,470
Gross investment income	83,650,926	72,679,476
Investment expenses	(17,453,334)	(14,414,793)
Net investment income	\$ 66,197,592	\$ 58,264,683

Net investment income includes income earned by the restricted assets and cemetery perpetual care trust investments of the cemeteries and mortuaries of \$2,404,277 and \$1,472,295 for the years ended December 31, 2022 and 2021, 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.

Securities on deposit for regulatory authorities as required by law amounted to \$11,032,165 and \$10,168,853 at December 31, 2022 and 2021, respectively (the December 31, 2021 amount has been corrected from that previously reported due to a typographical error). The restricted securities are included in various assets under investments on the accompanying consolidated balance sheets.

There were no investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses) at December 31, 2022, 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 to match the income and yield durations of its primary obligations. The sources for these real estate assets come through its various business segments in the form of acquisition, development and mortgage foreclosures. The Company reports real estate held for investment and held for sale pursuant to the accounting policy discussed in Note 1 of the Notes to Consolidated Financial Statements.

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 reports. Geographic locations and asset classes of the investment activity is determined by senior management under the direction of the Board of Directors.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

2) 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 when the geographic boundary does not warrant full-time staff or through strategic lease-up periods. The Company generally looks to acquire assets in regions that are high growth regions for employment and population and assets that provide operational efficiencies.

The Company currently owns and operates nine commercial properties in three states. These properties include office buildings, flex office space, and includes the redevelopment and expansion of its corporate campus ("Center53") in Salt Lake City, Utah. The Company does use debt in strategic cases to leverage established yields or to acquire a higher quality or different class of asset.

The aggregated net ending balance of commercial real estate that serves as collateral for bank loans was \$129,330,119 and \$134,251,205 as of December 31, 2022 and 2021, respectively. The associated bank loan carrying values totaled \$97,112,131 and \$85,663,148 as of December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, the Company recorded impairment losses on commercial real estate held for sale of nil and \$2,028,378, respectively. Impairment losses are included in gains (losses) on investments and other assets on the consolidated statements of earnings.

During the years ended December 31, 2022 and 2021, the Company recorded depreciation expense on commercial real estate held for investment of \$6,090,575 and \$3,592,207, 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.

Operating leases arise from the leasing of the Company's commercial real estate held for investment. Initial lease terms generally range from three to ten years.

The Company's commercial real estate held for investment is summarized as follows:

	Net Ending Balance		Total Square Footage	
	December 31		December 31	
	2022	2021	2022	2021
Utah (1)	\$ 147,627,946	\$ 150,105,948	625,920	625,920
Louisiana	2,380,847	2,426,612	31,778	31,778
Mississippi	2,881,863	2,860,775	19,694	19,694
	<u>\$ 152,890,656</u>	<u>\$ 155,393,335</u>	<u>677,392</u>	<u>677,392</u>

(1) Includes Center53 phase 1 and phase 2

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

2) Investments (Continued)

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received.

2023	\$	11,650,181
2024		10,310,144
2025		9,933,831
2026		8,282,769
2027		6,720,796
Thereafter		50,530,849
Total	\$	<u>97,428,570</u>

The Company's commercial real estate held for sale is summarized as follows:

	Net Ending Balance		Total Square Footage	
	December 31		December 31	
	2022	2021	2022	2021
Kansas	\$ -	\$ 2,000,000	-	222,679
Louisiana	-	389,145	-	2,872
Mississippi (1)	151,553	151,553	-	-
	<u>\$ 151,553</u>	<u>\$ 2,540,698</u>	<u>-</u>	<u>225,551</u>

(1) Approximately 93 acres of undeveloped land

This property is being marketed with the assistance of commercial real estate brokers in the markets where the property is located.

Residential Real Estate Held for Investment and Held for Sale

The Company occasionally owns a small portfolio of residential homes primarily as a result of loan foreclosures. The Company has the option to sell them or to continue to hold them for cash flow and acceptable returns. The Company also invests in residential subdivision land developments.

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

During the years ended December 31, 2022 and 2021, the Company recorded impairment losses on residential real estate held for sale of \$94,400 and nil, respectively. These impairment losses are included in gains (losses) on investments and other assets on the consolidated statements of earnings.

During the years ended December 31, 2022 and 2021, the Company recorded depreciation expense on residential real estate held for investment of \$10,592 and \$12,850, 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.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

2) Investments (Continued)

The net ending balance of foreclosed residential real estate included in residential real estate held for investment or sale was \$11,010,029 and \$1,190,602 as of December 31, 2022 and 2021, respectively.

The Company's residential real estate held for investment is summarized as follows:

	Net Ending Balance	
	December 31	
	2022	2021
Utah (1)	\$ 38,437,960	\$ 41,686,281
Washington (2)	-	286,181
	<u>\$ 38,437,960</u>	<u>\$ 41,972,462</u>

(1) Including subdivision land developments

(2) Improved residential lots

The following table presents additional information regarding the Company's subdivision land developments in Utah.

	December 31	
	2022	2021
Lots available for sale	80	67
Lots to be developed	1,131	548
Ending Balance	<u>\$ 38,241,705</u>	<u>\$ 41,479,434</u>

The Company's residential real estate held for sale is summarized as follows:

	Net Ending Balance	
	December 31	
	2022	2021
Utah	\$ 11,010,029	\$ -
Nevada	-	979,640
Texas	-	200,962
Ohio	-	10,000
	<u>\$ 11,010,029</u>	<u>\$ 1,190,602</u>

These properties are all actively being marketed with the assistance of residential real estate brokers. The Company expects these properties to sell within the coming 12 months.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

2) Investments (Continued)

Real Estate Owned and Occupied by the Company

The primary business units of the Company occupy a portion of the commercial real estate owned by the Company. As of December 31, 2022, 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	Corporate Offices, Life Insurance, Cemetery/Mortuary Operations, and Mortgage Operations and Sales	221,000	50 %
1044 River Oaks Dr., Flowood, MS	Life Insurance Operations	19,694	28 %
1818 Marshall Street, Shreveport, LA (1)	Life Insurance Operations	12,274	100 %
909 Foisy Street, Alexandria, LA (1)	Life Insurance Sales	8,059	100 %
812 Sheppard Street, Minden, LA (1)	Life Insurance Sales	1,560	100 %
1550 N 3rd Street, Jena, LA (1)	Life Insurance Sales	1,737	100 %

(1) Included in property and equipment on the consolidated balance sheets

Mortgage Loans Held for Investment

The Company reports mortgage loans held for investment pursuant to the accounting policy discussed in Note 1 of the Notes to Consolidated Financial Statements.

Mortgage loans consist of first and second mortgages. The mortgage loans bear interest at rates ranging from 2.0 % to 10.5%, maturity dates range from nine months to 30 years and are secured by real estate. 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 its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. At December 31, 2022, the Company had 64%, 10%, 5%, 5%, 3% and 3% of its mortgage loans from borrowers located in the states of Utah, Florida, California, Texas, Nevada and Arizona, respectively. At December 31, 2021, the Company had 70%, 7%, 5%, 4%, 4% and 2% of its mortgage loans from borrowers located in the states of Utah, Florida, California, Texas, Nevada and Arizona, respectively.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

2) Investments (Continued)

The Company establishes a valuation allowance for credit losses in its mortgage loans held for investment portfolio. The following table presents the valuation allowance for loan losses as a contra-asset account.

	Commercial	Residential	Residential Construction	Total
December 31, 2022				
Allowance for credit losses:				
Beginning balance	\$ 187,129	\$ 1,469,571	\$ 43,202	\$ 1,699,902
Charge-offs	-	-	-	-
Provision	-	270,409	-	270,409
Ending balance	<u>\$ 187,129</u>	<u>\$ 1,739,980</u>	<u>\$ 43,202</u>	<u>\$ 1,970,311</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 225,667</u>	<u>\$ -</u>	<u>\$ 225,667</u>
Ending balance: collectively evaluated for impairment	<u>\$ 187,129</u>	<u>\$ 1,514,313</u>	<u>\$ 43,202</u>	<u>\$ 1,744,644</u>
Mortgage loans:				
Ending balance	<u>\$ 46,311,955</u>	<u>\$ 93,355,623</u>	<u>\$ 172,516,125</u>	<u>\$ 312,183,703</u>
Ending balance: individually evaluated for impairment	<u>\$ 405,000</u>	<u>\$ 2,162,385</u>	<u>\$ -</u>	<u>\$ 2,567,385</u>
Ending balance: collectively evaluated for impairment	<u>\$ 45,906,955</u>	<u>\$ 91,193,238</u>	<u>\$ 172,516,125</u>	<u>\$ 309,616,318</u>
December 31, 2021				
Allowance for credit losses:				
Beginning balance	\$ 187,129	\$ 1,774,796	\$ 43,202	\$ 2,005,127
Charge-offs	-	-	-	-
Provision	-	(305,225)	-	(305,225)
Ending balance	<u>\$ 187,129</u>	<u>\$ 1,469,571</u>	<u>\$ 43,202</u>	<u>\$ 1,699,902</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 105,384</u>	<u>\$ -</u>	<u>\$ 105,384</u>
Ending balance: collectively evaluated for impairment	<u>\$ 187,129</u>	<u>\$ 1,364,187</u>	<u>\$ 43,202</u>	<u>\$ 1,594,518</u>
Mortgage loans:				
Ending balance	<u>\$ 51,683,022</u>	<u>\$ 53,533,712</u>	<u>\$ 175,117,783</u>	<u>\$ 280,334,517</u>
Ending balance: individually evaluated for impairment	<u>\$ 1,723,372</u>	<u>\$ 2,548,656</u>	<u>\$ -</u>	<u>\$ 4,272,028</u>
Ending balance: collectively evaluated for impairment	<u>\$ 49,959,650</u>	<u>\$ 50,985,056</u>	<u>\$ 175,117,783</u>	<u>\$ 276,062,489 (1)</u>

(1) Amount corrected from that previously reported due to a typographical error.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

2) Investments (Continued)

The following table presents the aging of mortgage loans held for investment.

	Commercial	Residential	Residential Construction	Total
<u>December 31, 2022</u>				
30-59 Days Past Due	\$ 1,000,000	\$ 3,553,390	\$ -	\$ 4,553,390
60-89 Days Past Due	-	814,184	-	814,184
Greater Than 90 Days (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 Loan 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	<u>\$ 45,694,074</u>	<u>\$ 90,290,776</u>	<u>\$ 172,139,077</u>	<u>\$ 308,123,927</u>
<u>December 31, 2021</u>				
30-59 Days Past Due	\$ -	\$ 3,117,826	\$ 1,363,127	\$ 4,480,953
60-89 Days Past Due	100,204	580,815	-	681,019
Greater Than 90 Days (1)	1,723,372	2,052,062	-	3,775,434
In Process of Foreclosure (1)	-	496,594	-	496,594
Total Past Due	1,823,576	6,247,297	1,363,127	9,434,000
Current	49,859,446	47,286,415	173,754,656	270,900,517
Total Mortgage Loans	51,683,022	53,533,712	175,117,783	280,334,517
Allowance for Loan Losses	(187,129)	(1,469,571)	(43,202)	(1,699,902)
Unamortized deferred loan fees, net	(36,813)	(498,600)	(383,173)	(918,586)
Unamortized discounts, net	(240,614)	(169,369)	-	(409,983)
Net Mortgage Loans	<u>\$ 51,218,466</u>	<u>\$ 51,396,172</u>	<u>\$ 174,691,408</u>	<u>\$ 277,306,046</u>

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

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

2) Investments (Continued)

Impaired Mortgage Loans Held for Investment

Impaired mortgage loans held for investment include loans with a related specific valuation allowance or loans whose carrying amount has been reduced to the expected collectible amount because the impairment has been considered other than temporary. The recorded investment in and unpaid principal balance of impaired loans along with the related loan specific allowance for losses, if any, for each reporting period and the average recorded investment and interest income recognized during the time the loans were impaired are summarized as follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
<u>December 31, 2022</u>					
With no related allowance recorded:					
Commercial	\$ 405,000	\$ 405,000	\$ -	\$ 762,175	\$ -
Residential	1,142,494	1,142,494	-	998,798	-
Residential construction	-	-	-	103,976	-
With an allowance recorded:					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	1,019,891	1,019,891	225,667	683,922	-
Residential construction	-	-	-	-	-
Total:					
Commercial	\$ 405,000	\$ 405,000	\$ -	\$ 762,175	\$ -
Residential	2,162,385	2,162,385	225,667	1,682,720	-
Residential construction	-	-	-	103,976	-
<u>December 31, 2021</u>					
With no related allowance recorded:					
Commercial	\$ 1,723,372	\$ 1,723,372	\$ -	\$ 1,053,865	\$ -
Residential	1,591,368	1,591,368	-	2,731,421	-
Residential construction	-	-	-	100,481	-
With an allowance recorded:					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	957,288	957,288	105,384	726,449	-
Residential construction	-	-	-	-	-
Total:					
Commercial	\$ 1,723,372	\$ 1,723,372	\$ -	\$ 1,053,865	\$ -
Residential	2,548,656	2,548,656	105,384	3,457,870	-
Residential construction	-	-	-	100,481	-

Credit Risk Profile Based on Performance Status

The Company's mortgage loans held for investment portfolio is monitored based on performance of the loans. Monitoring a mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment. The Company defines non-performing mortgage loans as loans 90 days or greater delinquent or on non-accrual status.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

2) Investments (Continued)

The Company's performing and non-performing mortgage loans held for investment are summarized as follows:

	Commercial		Residential		Residential Construction		Total	
	December 31		December 31		December 31		December 31	
	2022	2021	2022	2021	2022	2021	2022	2021
Performing	\$ 45,906,955	\$ 49,959,650	\$ 91,193,238	\$ 50,985,056	\$ 172,516,125	\$ 175,117,783	\$ 309,616,318	\$ 276,062,489
Non-performing	405,000	1,723,372	2,162,385	2,548,656	-	-	2,567,385	4,272,028
Total	<u>\$ 46,311,955</u>	<u>\$ 51,683,022</u>	<u>\$ 93,355,623</u>	<u>\$ 53,533,712</u>	<u>\$ 172,516,125</u>	<u>\$ 175,117,783</u>	<u>\$ 312,183,703</u>	<u>\$ 280,334,517</u>

Non-Accrual Mortgage Loans Held for Investment

Once a loan is past due 90 days, it is the policy of the Company to end the accrual of interest income on the loan and write off any income that had been accrued. Payments received for loans on a non-accrual status are recognized on a cash basis. Interest income recognized from any payments received for loans on a non-accrual status was immaterial. Accrual of interest resumes if a loan is brought current. Interest not accrued on these loans totals approximately \$226,000 and \$236,000 as of December 31, 2022 and 2021, respectively.

Principal Amounts Due

The following table presents the amortized cost and contractual payments on mortgage loans held for investment by category as of December 31, 2022. Expected principal payments may differ from contractual obligations because certain borrowers may elect to pay off mortgage obligations with or without early payment penalties.

	Total	Principal Amounts Due in 1 Year	Principal Amounts Due in 2-5 Years	Principal Amounts Due Thereafter
Residential	\$ 93,355,623	\$ 1,332,862	\$ 10,000,042	\$ 82,022,719
Residential Construction	172,516,125	167,805,559	4,710,566	-
Commercial	46,311,955	9,405,903	28,597,132	8,308,920
Total	<u>\$ 312,183,703</u>	<u>\$ 178,544,324</u>	<u>\$ 43,307,740</u>	<u>\$ 90,331,639</u>

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

3) Loans Held for Sale

The Company elected the fair value option for loans held for sale. 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 mortgage loans held for investment and is included in mortgage fee income on the consolidated statement of earnings. There aren't any loans that are 90 or more days past due and on a nonaccrual status as of December 31, 2022. See Note 17 of the Notes to 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.

	December 31	
	2022	2021
Aggregate fair value	\$ 141,179,620	\$ 302,776,827
Unpaid principal balance	141,337,811	294,481,503
Unrealized (loss) gain	(158,191)	8,295,324

Mortgage Fee Income

Mortgage fee income consists of origination fees, processing fees, interest income and certain 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:

	Years Ended December 31	
	2022	2021
Loan fees	\$ 24,184,972	\$ 37,723,433
Interest income	9,666,149	9,385,469
Secondary gains	153,870,807 (1)	230,417,029
Change in fair value of loan commitments	(4,308,638)	(3,113,095)
Change in fair value of loans held for sale	(8,834,797)	(8,783,376)
Provision for loan loss reserve	(1,078,812)	(2,211,230)
Mortgage fee income	\$ 173,499,681	\$ 263,418,230

(1) Includes a net gain of \$34,051,938 for the sale of mortgage servicing rights

Loan Loss Reserve

When a repurchase demand corresponding to a mortgage loan previously held for sale and sold to a third-party investor is received from a third-party investor, the relevant data is reviewed and captured so that an estimated future loss can be calculated. The key factors that are used in the estimated 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 is able to 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 Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

3) Loans Held for Sale (Continued)

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

	December 31	
	2022	2021
Balance, beginning of period	\$ 2,447,139	\$ 20,583,618
Provision for current loan originations (1)	1,078,812	2,211,230
Charge-offs, net of recaptured amounts	(1,800,284)	(20,347,709)
Balance, at December 31	<u>\$ 1,725,667</u>	<u>\$ 2,447,139</u>

(1) Included in Mortgage fee income

The Company maintains reserves for estimated losses on current production volumes. For the year ended December 31, 2022, \$1,078,812 in reserves were added at a rate of 3.19 basis points per loan, the equivalent of \$319 per \$1,000,000 in loans originated. This is a decrease over the year ended December 31, 2021, when \$2,211,230 in reserves were added at a rate of 3.9 basis points per loan originated, the equivalent of \$390 per \$1,000,000 in loans originated. In February 2021, SecurityNational Mortgage executed a settlement agreement with Lehman Holdings in relation to two adversary proceedings wherein all mortgage loan related claims were resolved, thereby ending all liabilities asserted by Lehman Holdings and conclusively ending all proceedings between SecurityNational Mortgage and Lehman Holdings. The full amount of SecurityNational Mortgage's settlement payment was accounted for in the Company's loan loss reserve as of December 31, 2020 and was paid during the first quarter 2021. The unique nature of COVID-19 creates significant difficulty for forecasting potential future losses. The Company will continue to monitor data and economic conditions in order to maintain adequate loss reserves on current production. Thus, the Company believes that the final loan loss reserve as of December 31, 2022, represents its best estimate for adequate loss reserves on loans sold.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

4) Receivables

Receivables consist of the following:

	December 31	
	2022	2021
Trade contracts	\$ 5,392,779	\$ 5,298,636
Receivables from sales agents	2,209,185	2,360,807
Other	23,200,919	12,457,398
Total receivables	30,802,883	20,116,841
Allowance for doubtful accounts	(2,229,791)	(1,800,725)
Net receivables	\$ 28,573,092	\$ 18,316,116

5) Value of Business Acquired, Goodwill and Other Intangible Assets

Information with regard to value of business acquired was as follows:

	December 31	
	2022	2021
Balance at beginning of year	\$ 8,421,432	\$ 8,955,249
Value of business acquired	2,136,085	586,840
Imputed interest at 7% included in earnings	642,919 (1)	613,028 (1)
Amortization included in earnings	(1,907,250) (1)	(1,728,157) (1)
Shadow amortization included in other comprehensive income	510,550	(5,528)
Net amortization	(753,781)	(1,120,657)
Balance at end of year	\$ 9,803,736	\$ 8,421,432

- (1) Included in Amortization of deferred policy and pre-need acquisition costs and value of business acquired on the consolidated statements of earnings

Presuming no additional acquisitions, net amortization charged to income is expected to approximate the following:

2023	\$ 1,181,000
2024	1,098,000
2025	995,000
2026	924,000
2027	841,000
Thereafter	4,764,736
Total	\$ 9,803,736

Actual amortization may vary based on changes in assumptions or experience. As of December 31, 2022, value of business acquired is being amortized over a weighted average life of 5.7 years.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

5) Value of Business Acquired, Goodwill and Other Intangible Assets (Continued)

Information regarding goodwill by segment was as follows:

	Life Insurance	Cemetery/ Mortuary	Total
Balance at January 1, 2021:			
Goodwill	\$ 2,765,570	\$ 754,018	\$ 3,519,588
Accumulated impairment	-	-	-
Total goodwill, net	<u>2,765,570</u>	<u>754,018</u>	<u>3,519,588</u>
Acquisition	<u>-</u>	<u>1,734,195 (1)</u>	<u>1,734,195</u>
Balance at December 31, 2021:			
Goodwill	2,765,570	2,488,213	5,253,783
Accumulated impairment	-	-	-
Total goodwill, net	<u>2,765,570</u>	<u>2,488,213</u>	<u>5,253,783</u>
Acquisition	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022:			
Goodwill	2,765,570	2,488,213	5,253,783
Accumulated impairment	-	-	-
Total goodwill, net	<u>\$ 2,765,570</u>	<u>\$ 2,488,213</u>	<u>\$ 5,253,783</u>

(1) See Note 20 regarding the acquisition of Rivera Funerals, Cremations and Memorial Gardens and Holbrook Mortuary

Goodwill is not amortized but is tested annually for impairment. The annual impairment tests resulted in no impairment of goodwill for the years ended December 31, 2022 and 2021.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

5) Value of Business Acquired, Goodwill and Other Intangible Assets (Continued)

The carrying value of the Company's other intangible assets were as follows which is included in other assets:

	Useful Life	December 31	
		2022	2021
Intangible asset - trade name (1)	15 years	\$ 2,100,000	\$ 2,100,000
Intangible asset - customer lists	15 years	890,000	890,000
Intangible asset - trade name (2)	15 years	610,000	610,000
Intangible assets - other (1)	15 years	210,000	210,000
Less accumulated amortization		(553,333)	(297,333)
Balance at end of year		<u>\$ 3,256,667</u>	<u>\$ 3,512,667</u>

(1) See Note 20 regarding the acquisition of Rivera Funerals, Cremations and Memorial Gardens

(2) Kilpatrick Life

Amortization expense for the years ended December 31, 2022 and 2021 was \$256,000 and \$99,999, respectively, and is included in other expenses on the consolidated statements of earnings.

The following table summarizes the Company's estimate of future amortization for the other intangible assets:

2023	\$ 254,000
2024	254,000
2025	254,000
2026	254,000
2027	254,000
Thereafter	1,986,667
Total	<u>\$ 3,256,667</u>

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

6) Property and Equipment

Property and equipment is summarized below:

	December 31	
	2022	2021
Land and buildings	\$ 16,545,799	\$ 16,532,593
Furniture and equipment	17,567,906	24,799,115
	34,113,705	41,331,708
Less accumulated depreciation	(13,534,056)	(19,814,110)
Total	<u>\$ 20,579,649</u>	<u>\$ 21,517,598</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$2,496,906 and \$1,935,613, respectively. Property and equipment are stated at cost and are depreciated over their estimated useful lives, primarily using the straight-line method. During 2021, the Company reclassified a building with a gross building cost of \$3,640,755 with its associated accumulated depreciation of \$532,074 from property and equipment to real estate held for investment. See Note 20 for additional information regarding property and equipment acquired through acquisitions.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

7) Bank and Other Loans Payable

Bank and other loans payable are summarized as follows:

	December 31	
	2022	2021
Prime rate note payable in monthly installments of \$75,108 including principal and interest, collateralized by shares of Security National Life Insurance Company stock, due December 2024.	\$ 1,690,892	\$ 2,481,878
4.329% fixed note payable in monthly installments of \$9,775 including principal and interest, collateralized by real property with a book value of approximately \$3,023,000, paid in full April 2022.	-	1,825,608
4.00% variable with LIBOR at a 1% floor and a spread at 3% rate construction loan collateralized by real property with a book value of approximately \$65,422,000, paid off with long term financing in May 2022.	-	34,547,181
3.85% fixed note payable in monthly installments of \$243,781 including principal and interest, collateralized by real property with a book value of approximately \$65,422,000, due June 2032.	48,613,833	-
3.30% fixed note payable in monthly installments of \$179,562 including principal and interest, collateralized by real property with a book value of approximately \$46,960,000, due April 2031.	39,298,298	40,090,359
4.7865% fixed interest only note payable in monthly installments, collateralized by real property with a book value of approximately \$16,948,000, due June 2028.	9,200,000	9,200,000
1 month SOFR rate plus 2.1% loan purchase agreement with a warehouse line availability of \$100,000,000, matures June 2023.	17,978,527	66,305,025
1 month SOFR rate plus 2% loan purchase agreement with a warehouse line availability of \$100,000,000, matures November 2023.	29,768,762	50,555,909
1 month SOFR rate plus 2.5% loan purchase agreement with a warehouse line availability of \$75,000,000, matures May 2023.	15,131,410	43,196,986
1 month SOFR rate plus 2.1% loan purchase agreement with a warehouse line availability of \$50,000,000, matures June 2023.	-	1,764,386
Other short-term borrowings (1)	-	1,250,000
Finance lease liabilities	31,082	62,767
Other loans payable	-	6,828
Total bank and other loans	161,712,804	251,286,927
Less current installments	65,560,608	164,747,672
Bank and other loans, excluding current installments	\$ 96,152,196	\$ 86,539,255

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

7) Bank and Other Loans Payable (Continued)

Sources of Liquidity

Federal Home Loan Bank Membership

The Federal Home Loan Banks (“the FHLBs”) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. The Company is a member of the FHLB based in Des Moines, Iowa and based in Dallas, Texas. As a member of the FHLB, the Company is required to maintain a minimum investment in capital stock prepare an Accounting Restatement, the Board will promptly require reimbursement or forfeiture of any Erroneously Awarded Compensation received by any Covered Executive, unless the FHLB and may pledge collateral to the bank for advances of funds to be used in its operations.

Federal Home Loan Bank of Des Moines

At December 31, 2022, the amount available for borrowings from the FHLB of Des Moines was approximately \$80,312,445, compared with \$19,259,722 at December 31, 2021. United States Treasury fixed maturity securities with an estimated fair value of \$86,338,880 at December 31, 2022 have been pledged at the FHLB of Des Moines as collateral for current and potential borrowings compared with \$20,244,900 at December 31, 2021. At December 31, 2022 and 2021, the Company had no outstanding FHLB borrowings. At December 31, 2022, the Company’s total investment in FHLB stock was \$856,800 compared with \$826,800 at December 31, 2021. At December 31, 2022, the Company was contingently liable under standby letters of credit aggregating \$968,903, \$443,758 to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company’s captive insurance program and \$525,145 for land developments.

Federal Home Loan Bank of Dallas

At December 31, 2022, the amount available for borrowings from the FHLB of Dallas was approximately \$5,719,671, compared with \$7,794,625 at December 31, 2021. Mortgage-Backed fixed maturity securities with an estimated fair value of \$6,696,100 at December 31, 2022 have been pledged at the FHLB of Dallas as collateral for current and potential borrowings compared with \$8,774,352 at December 31, 2021. At December 31, 2022 and 2021, the Company had no outstanding FHLB borrowings. At December 31, 2022, the Company’s total investment in FHLB stock was \$1,743,500 compared with \$1,720,300 at December 31, 2021.

Revolving Lines of Credit

The Company has a \$2,000,000 revolving line-of-credit with a bank with interest payable at the prime rate plus 1.25% with a 3% prime floor, secured by the capital stock of Security National Life and maturing December 31, 2023, renewable annually. At December 31, 2022, the Company was contingently liable under standby letters of credit aggregating \$622,293, to be used as collateral for residential subdivision land developments. The standby letters of credit will draw on the line of credit if necessary. The Company does not expect any material losses to result from the issuance of the standby letters of credit. As of December 31, 2022, there were no amounts outstanding under the revolving line-of-credit.

The Company also has a \$2,500,000 revolving line-of-credit with a bank with interest payable at the daily simple SOFR plus 2.35%, which includes a mandatory .10% credit spread adjustment, maturing December 31, 2023. As of December 31, 2022, there were no amounts outstanding under the revolving line-of-credit.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

7) Bank and Other Loans Payable (Continued)

Debt Covenants for Mortgage Warehouse Lines of Credit

The Company, through its subsidiary SecurityNational Mortgage, has a \$100,000,000 line of credit with Wells Fargo Bank N.A. The agreement charges interest at the 1-Month SOFR rate plus 2.1% and matures on June 2, 2023. 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 with the bank allows SecurityNational Mortgage to borrow up to \$100,000,000 for the sole purpose of funding mortgage loans. The agreement charges interest at the 1-Month SOFR rate plus 2% and matures on November 9, 2023. 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 Comerica Bank. This agreement with the bank allows SecurityNational Mortgage to borrow up to \$75,000,000 for the sole purpose of funding mortgage loans. The agreement charges interest at the 1-Month SOFR rate plus 2.50% and matures on May 26, 2023. 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.

The Company through its subsidiary SecurityNational Mortgage, has a line of credit with U.S Bank. This agreement with the bank allows SecurityNational Mortgage to borrow up to \$50,000,000 for the sole purpose of funding mortgage loans. 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 June 2, 2023. 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.

The agreements for warehouse lines include cross default provisions in that a covenant violation under one agreement constitutes a covenant violation under the other agreement. As of December 31, 2022, the Company was in compliance with all debt covenants.

The following tabulation shows the combined maturities of bank and other loans payable:

2023	\$	65,560,608
2024		2,785,674
2025		1,981,991
2026		1,883,515
2027		1,997,551
Thereafter		87,503,465
Total	\$	161,712,804

Interest expense in 2022 and 2021 was \$7,830,443 and \$7,127,516, respectively. Interest paid in 2022 and 2021 was \$7,697,921 and \$7,290,867, respectively.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

8) 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. Also, management has determined that the Company is the primary beneficiary of these trusts, as it absorbs both a majority of the losses and returns 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 December 31, 2022 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2022:				
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
Obligations of states and political subdivisions	174,201	-	(8,478)	165,723
Total fixed maturity securities available for sale	<u>\$ 263,205</u>	<u>\$ 42</u>	<u>\$ (8,516)</u>	<u>\$ 254,731</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 3,195,942	\$ 584,383	\$ (175,163)	\$ 3,605,162
Total equity securities at estimated fair value	<u>\$ 3,195,942</u>	<u>\$ 584,383</u>	<u>\$ (175,163)</u>	<u>\$ 3,605,162</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	<u>\$ 1,506,517</u>			
Real estate held for investment: Residential	<u>\$ (16,178)</u>			
Cash and cash equivalents	<u>\$ 1,925,978</u>			
Total cemetery perpetual care trust investments	<u>\$ 7,276,210</u>			
Cemetery perpetual care obligation	<u>\$ (5,099,542)</u>			
Trust investments in excess of trust obligations	<u>\$ 2,176,668</u>			

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

8) Cemetery Perpetual Care Trust Investments and Obligation and Restricted Assets (Continued)

The components of the cemetery perpetual care investments and obligation as of December 31, 2021 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>December 31, 2021:</u>				
Fixed maturity securities, available for sale, at estimated fair value:				
Obligations of states and political subdivisions	\$ 280,023	\$ 4,872	\$ (928)	\$ 283,967
Corporate securities including public utilities	492,770	8,028	-	500,798
Total fixed maturity securities available for sale	<u>\$ 772,793</u>	<u>\$ 12,900</u>	<u>\$ (928)</u>	<u>\$ 784,765</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 2,597,745	\$ 737,696	\$ (32,961)	\$ 3,302,480
Total equity securities at estimated fair value	<u>\$ 2,597,745</u>	<u>\$ 737,696</u>	<u>\$ (32,961)</u>	<u>\$ 3,302,480</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	<u>\$ 1,823,533</u>			
Real estate held for investment: Residential	<u>\$ 865,424</u>			
Cash and cash equivalents	<u>\$ 1,059,519</u>			
Total cemetery perpetual care trust investments	<u>\$ 7,835,721</u>			
Cemetery perpetual care obligation	<u>\$ (4,915,285)</u>			
Trust investments in excess of trust obligations	<u>\$ 2,920,436</u>			

Fixed Maturity Securities

The following tables summarize unrealized losses on fixed maturities securities that were carried at estimated fair value at December 31, 2022 and at December 31, 2021. The unrealized losses were primarily related to interest rate fluctuations and inflation. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities:

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value
<u>At 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>
<u>At December 31, 2021</u>						
Obligations of states and political subdivisions	<u>\$ 928</u>	<u>\$ 105,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 928</u>	<u>\$ 105,060</u>

Total unrealized losses	\$ 928	\$ 105,060	\$ -	\$ -	\$ 928	\$ 105,060
There were 5 securities with fair value of 96.4% of aggregate amortized cost at December 31, 2022. There were 2 securities with fair value of 99.1% of aggregate amortized cost at December 31, 2021. No credit losses have been recognized for the years ended December 31, 2022 and 2021, since the increase in unrealized losses is primarily a result of the recent rise in interest rates.						

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

8) Cemetery Perpetual Care Trust Investments and Obligation and Restricted Assets (Continued)

The following table presents the amortized cost and estimated fair value of fixed maturity securities available for sale at December 31, 2022, 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 Cost	Estimated Fair Value
Due in 1 year	\$ 89,004	\$ 89,008
Due in 2-5 years	77,745	71,112
Due in 5-10 years	41,621	40,816
Due in more than 10 years	54,835	53,795
Total	<u>\$ 263,205</u>	<u>\$ 254,731</u>

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 **Board determines** in accordance with loan purchase agreements and funds held in escrow for certain real estate construction development projects. Additionally, the Company elected **Section VI** below that such recovery is impracticable. **Recoupment of Erroneously Awarded Compensation pursuant to maintain its medical benefit fund this Policy is made on a "no fault" basis, without change from the prior year and regard to whether any misconduct occurred or whether any Covered Executive has included this amount as a component of restricted cash. These restricted cash items are responsibility for the Company's life insurance and mortgage segments, noncompliance that resulted in the Accounting Statement.**

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2022:				
Fixed maturity securities, available for sale, at estimated fair value:				
Obligations of states and political subdivisions	\$ 1,033,047	\$ 866	\$ (15,360)	\$ 1,018,553
Corporate securities including public utilities	201,771	-	(3,016)	198,755
Total fixed maturity securities available for sale	<u>\$ 1,234,818</u>	<u>\$ 866</u>	<u>\$ (18,376)</u>	<u>\$ 1,217,308</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 4,955,360	\$ 703,049	\$ (310,165)	\$ 5,348,244
Total equity securities at estimated fair value	<u>\$ 4,955,360</u>	<u>\$ 703,049</u>	<u>\$ (310,165)</u>	<u>\$ 5,348,244</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	<u>\$ 1,731,469</u>			
Cash and cash equivalents (1)	<u>\$ 10,638,034</u>			
Total restricted assets	<u>\$ 18,935,055</u>			

(1)

For purposes of this Policy, the following terms shall have the following meanings:

- **Including “Accounting Restatement”** means an accounting restatement of any of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or to correct an error that is not material to previously issued financial statements, but would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, within the meaning of Rule 10D-1 and Rule 5608. For the avoidance of doubt, an Accounting Restatement will not be deemed to occur in the event of a restatement of the Company’s financial statements due to an out-of-period adjustment or due to a retrospective (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company’s internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; or (v) revision for stock splits, reverse stock splits, stock dividends, or other changes in capital structure.
- **“Covered Incentive Compensation”** means Incentive Compensation received on or after October 2, 2023: (i) by a person after beginning service as a Covered Executive, (ii) by a person who served as a Covered Executive at any time during the performance period for that Incentive Compensation, (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (iv) during the three completed fiscal years immediately preceding the date that the Company is required to prepare the Accounting Restatement (or such longer period as required under Rule 5608 in the event the Company changes its fiscal year).
- **“Erroneously Awarded Compensation”** means the amount of Covered Incentive Compensation that was received by each Covered Executive in excess of the Covered Incentive Compensation that would have been received by the Covered Executive had such Covered Incentive Compensation been determined based on the restated Financial Reporting Measure following an Accounting Restatement, computed without regard to taxes paid, as reasonably determined by the Board. For this purpose, if the amount of Covered Incentive Compensation that is received by a Covered Executive was based on the Company’s stock price or total shareholder return and is not subject to mathematical recalculation directly from the Accounting Restatement, the amount to be recovered as Erroneously Awarded Compensation shall be based on a reasonable estimate of the effect of the Accounting Restatement on the Financial Reporting Measure upon which the Covered Incentive Compensation was received. The Company’s Corporate Secretary shall, on behalf of the Board, obtain and maintain all documentation of the determination of any such reasonable estimate and provide such documentation to Nasdaq when required.
- **“Financial Reporting Measure”** means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements and any measure that is derived wholly or in part from any such measure, and (ii) the Company’s stock price and the total shareholder return of the Company. A measure, however, need not be presented within the financial statements or included in a filing with the U.S. Securities and Exchange Commission (“SEC”) to constitute a Financial Reporting Measure. For example, Financial Reporting Measures may include revenues, net income, EBITDA, funds from operations, liquidity measures (such as working capital or operating cash flow), and return measures (such as return on invested capital or return on assets).
- **“Incentive Compensation”** means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For example, Incentive Compensation includes any of the following if so granted, earned or vested: (i) annual bonuses and other short- and long-term cash equivalents incentives, (ii) stock options, (iii) stock appreciation rights, (iv) restricted stock, (v) restricted stock units, (vi) performance shares, and (vii) performance units. For the avoidance of \$8,527,620 for the doubt, Incentive Compensation shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive Compensation (including, without limitation, any amounts under any long-term disability, life insurance and mortgage segments, or supplemental retirement plan or any notional account that is based on Incentive Compensation, as well as any earnings accrued thereon).

V. Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Erroneously Awarded Compensation hereunder, which may include, without limitation, any of the following:

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

8) Cemetery Perpetual Care Trust Investments and Obligation and Restricted Assets (Continued)

Restricted assets as of December 31, 2021 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2021:				
Fixed maturity securities, available for sale, at estimated fair value:				
Obligations of states and political subdivisions	\$ 1,058,449	\$ 42,456	\$ (309)	\$ 1,100,596
Corporate securities including public utilities	489,714	13,139	(1,761)	501,092
Total fixed maturity securities available for sale	<u>\$ 1,548,163</u>	<u>\$ 55,595</u>	<u>\$ (2,070)</u>	<u>\$ 1,601,688</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 2,781,041	\$ 852,443	\$ (29,662)	\$ 3,603,822
Total equity securities at estimated fair value	<u>\$ 2,781,041</u>	<u>\$ 852,443</u>	<u>\$ (29,662)</u>	<u>\$ 3,603,822</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	<u>\$ 2,732,319</u>			
Cash and cash equivalents (1)	<u>\$ 9,000,293</u>			
Total restricted assets	<u>\$ 16,938,122</u>			

- (1) • Including Requiring reimbursement of cash Incentive Compensation previously paid;
• Seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
• Offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive (including any severance otherwise payable by the Company to the Covered Executive);
• Making a deduction from the Covered Executive's salary;
• Cancelling, or reducing the number of shares subject to, or the value of, outstanding vested or unvested equity awards; and/or
• Taking any other remedial and cash equivalents of \$7,869,295 for recovery action permitted by law, as determined by the life insurance and mortgage segments. Board.

VI. Impracticability

A surplus note receivable in the amount of \$4,000,000 at December 31, 2022 and 2021, from Security National Life, was eliminated in consolidation.

Fixed Maturity Securities

The following tables summarize unrealized losses on fixed maturities securities that were carried at estimated fair value at December 31, 2022 and at December 31, 2021. The unrealized losses were primarily related to interest rate fluctuations and inflation. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities:

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value
--	---	---------------	---	---------------	-----------------------------	------------

At December 31, 2022

Obligations of states and political subdivisions	\$ 11,891	\$ 760,255	\$ 3,469	\$ 58,072	\$ 15,360	\$ 818,327
Corporate securities including public utilities	3,016	198,755	-	-	3,016	198,755
Total unrealized losses	<u>\$ 14,907</u>	<u>\$ 959,010</u>	<u>\$ 3,469</u>	<u>\$ 58,072</u>	<u>\$ 18,376</u>	<u>\$ 1,017,082</u>

At December 31, 2021

Obligations of states and political subdivisions	\$ 309	\$ 114,208	\$ -	\$ -	\$ 309	\$ 114,208
Corporate securities including public utilities	1,761	232,239	-	-	1,761	232,239
Total unrealized losses	<u>\$ 2,070</u>	<u>\$ 346,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,070</u>	<u>\$ 346,447</u>

There were 17 securities with fair value of 98.2% of aggregate amortized cost at December 31, 2022. There were 4 securities with fair value of 99.4% of aggregate amortized cost at December 31, 2021. No credit losses have been recognized for the years ended December 31, 2022 and 2021, since the increase in unrealized losses is primarily a result of the recent rise in interest rates.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

8) Cemetery Perpetual Care Trust Investments and Obligation and Restricted Assets (Continued)

The following table presents the amortized cost and estimated fair value of fixed maturity securities available for sale at December 31, 2022, 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 Cost	Estimated Fair Value
Due in 1 year	\$ -	\$ -
Due in 2-5 years	320,972	312,708
Due in 5-10 years	153,284	152,191
Due in more than 10 years	760,562	752,409
Total	\$ 1,234,818	\$ 1,217,308

See Notes 1, 2 and 17 for additional information regarding restricted assets and cemetery perpetual care trust investments.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

9) Income Taxes

The Company's income tax liability is summarized as follows:

	December 31	
	2022	2021
Current	\$ 16,352,190	\$ (1,558,687)
Deferred	14,358,337	32,594,783
Total	<u>\$ 30,710,527</u>	<u>\$ 31,036,096</u>

Significant components of the Company's deferred tax (assets) and liabilities are approximately as follows:

	December 31	
	2022	2021
Assets		
Future policy benefits	\$ (13,974,221)	\$ (13,015,255)
Loan loss reserve	(448,673)	(636,256)
Unearned premium	(582,459)	(642,755)
Net operating loss	(237,855)	(898,029)
Deferred compensation	(2,166,593)	(2,750,406)
Deposit obligations	(631,232)	(635,878)
Tax on unrealized appreciation	(2,590,726)	-
Other	(601,335)	(1,712,895)
Less: Valuation allowance	1,506,144	882,535
Total deferred tax assets	<u>(19,726,950)</u>	<u>(19,408,939)</u>
Liabilities		
Deferred policy acquisition costs	17,511,778	17,166,200
Basis difference in property, equipment and real estate	11,959,391	9,247,242
Value of business acquired	2,058,785	1,768,501
Deferred gains	1,490,946	15,598,360
Trusts	1,064,387	1,064,387
Tax on unrealized appreciation	-	7,159,032
Total deferred tax liabilities	<u>34,085,287</u>	<u>52,003,722</u>
Net deferred tax liability	<u>\$ 14,358,337</u>	<u>\$ 32,594,783</u>

The valuation allowance relates to differences between recorded deferred tax assets and liabilities and ultimate anticipated realization.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

9) Income Taxes (Continued)

The Company's income tax expense is summarized as follows:

	December 31	
	2022	2021
Current		
Federal	\$ 15,346,331	\$ 629,921
State	3,294,234	343,428
	<u>18,640,565</u>	<u>973,349</u>
Deferred		
Federal	(7,400,620)	9,832,556
State	(2,553,385)	1,475,880
	<u>(9,954,005)</u>	<u>11,308,436</u>
Total	<u>\$ 8,686,560</u>	<u>\$ 12,281,785</u>

The reconciliation of income tax expense at the U.S. federal statutory rates is as follows:

	December 31	
	2022	2021
Computed expense at statutory rate	\$ 7,219,141	\$ 10,878,163
State tax expense, net of federal tax benefit	585,269	1,437,255
Change in valuation allowance	623,609	(79,385)
Other, net	258,541	45,752
Income tax expense	<u>\$ 8,686,560</u>	<u>\$ 12,281,785</u>

The Company's overall effective tax rate for the years ended December 31, 2022 and 2021 was 25.3% and 23.7% respectively. The Company's effective tax rates differ from the U.S. federal statutory rate of 21% partially due to its provision for state income taxes and an increase to the valuation allowance related to Kilpatrick Life Insurance Company. The increase in the effective tax rate when compared to the prior year is partially due to an increase to the valuation allowance in the current period when compared to the prior period year.

At December 31, 2022, the Company had no significant unrecognized tax benefits. As of December 31, 2022, the Company does not expect Board will recover any material changes to the estimated amount of unrecognized tax benefits in the next twelve months. Federal and state income tax returns for 2019 through 2022 are subject to examination by taxing authorities.

Net Operating Losses and Tax Credit Carryforwards:

<u>Year of Expiration</u>	
2023	\$ -
2024	-
2025	-
2026	-
2027	-
Thereafter up through 2037	1,070,413
Indefinite carryforwards	-
	<u>\$ 1,070,413</u>

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

10) Reinsurance, Commitments and Contingencies

Reinsurance

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from \$25,000 to \$100,000 during the years 2022 and 2021. The Company is liable for these 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 had a significant concentration of credit risk with a single reinsurer of 93.7% and 93.6% of ceded life insurance in force as of December 31, 2022 and 2021, respectively. This represented approximately 11.3% and 11.9% of the Company's total life insurance in force as of December 31, 2022 and 2021, respectively. The Company has also assumed insurance from other companies. See Financial Statement Schedule IV for information regarding life insurance in force and premiums for reinsurance.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate. However, the Company believes that its reserve methodology and its current practice of property preservation allow it to estimate potential losses on loans sold. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2022 and 2021, the balances were \$1,725,667 and \$2,447,139, respectively. The Company believes that the loan loss reserve as of December 31, 2022, represents its best estimate for adequate loss reserves on loans sold.

Non-Cancelable Leases

The Company leases office space and equipment under various non-cancelable agreements. See Note 24 regarding leases.

Other Contingencies and Commitments

The Company has entered into commitments to fund construction and land development loans and has also provided financing for land acquisition and development. As of December 31, 2022, the Company's commitments were approximately \$231,250,000, for these loans of which \$175,754,000 had been funded. The Company advances funds 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 5.25% to 8.50% per annum. Maturities range between six and eighteen months.

The Company belongs to a captive insurance group for certain casualty insurance, worker compensation and liability programs. Insurance reserves are maintained 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 insurance management considers a number of 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. 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 believes that none of the actions will have a material effect on the Company's financial position or results of operations. Based on management's assessment and legal counsel's representations concerning the likelihood of unfavorable outcomes, no amounts have been accrued for the above claims in the consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

10) Reinsurance, Commitments and Contingencies (Continued)

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.

11) Retirement Plans

The Company and its subsidiaries had a noncontributory Employee Stock Ownership Plan ("ESOP") for all eligible employees. On November 25, 2019, the Company distributed a notice of intent to terminate the ESOP Plan to all current plan participants. The Company also filed Form 5310 application for determination for terminating plan, with the IRS on December 6, 2019. As of the 4th quarter of 2020, the Company began to distribute the ESOP Plan assets to participants that had made a distribution election. The Company received approval of its application from the IRS and distributed all the remaining ESOP Plan assets to the participants during 2021.

The Company has three 401(k) savings plans covering all eligible employees which includes employer participation. Erroneously Awarded Compensation in accordance with this Policy unless the provisions of Section 401(k) of Board determines that such recovery would be impracticable because (i) the Internal Revenue Code. The plans allow participants to make pretax contributions up direct expense paid to a maximum of \$20,500 and \$19,500 for third party to assist in enforcing this Policy would exceed the years 2022 and 2021, respectively or the statutory limits. Beginning in January 2008, the Company elected amount to be a "Safe Harbor" Plan for its matching 401(k) contributions. The Company matched 100% of up to 3% of recovered, (ii) recovery would likely cause an employee's total annual compensation and matched 50% of 4% to 5% of an employee's annual compensation. The match was in Company stock. The Company's contribution for the years ended December 31, 2022 and 2021 was \$2,573,956 and \$2,820,315, respectively under the "Safe Harbor" plan. In 2001, the Company's Board of Directors adopted a Non-Qualified Deferred Compensation Plan, and this otherwise tax-qualified, broad-based retirement plan was amended in 2005. Under the terms of the Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Board has appointed a Committee of the Company to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder, or (iii) the Board otherwise makes such determination in accordance with Rule 10D-1 of the Exchange Act and the listing standards of Nasdaq. Before concluding that it would be impracticable to recover any Erroneously Awarded Compensation based on the Plan Administrator expense of enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, and the Company Secretary, on behalf of the Board, shall document such reasonable attempt(s) to recover and provide that documentation to Nasdaq when required.

VII. No Indemnification or Insurance

Neither the Company nor any of its subsidiaries or affiliates shall indemnify any Covered Executive against the loss of any Erroneously Awarded Compensation. Further, neither the Company nor any of its subsidiaries or affiliates shall pay or reimburse any Covered Executive for any insurance policy entered into by a Covered Executive that provides for full or partial coverage of any recoupment obligation under this Policy.

VIII. Interpretation

The Board is authorized to interpret and construe this Policy and to determine make all determinations necessary, appropriate, or advisable for the employees who administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC or any national securities exchange on which the Company's securities are eligible listed.

IX. Effective Date

This Policy shall be effective as of October 2, 2023 (the "Effective Date") and shall apply to participate Incentive Compensation that is approved, awarded or granted to Covered Executives on or after that date.

X. Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to comply with applicable law and regulation, including any rules or standards adopted by Nasdaq. The Board may terminate this Policy at any time.

XI. Other Recoupment Rights

The Board intends that this Policy will be applied to the plan, fullest extent of the law. The employees who participate Board may elect require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to defer the grant of any benefit thereunder, require a portion Covered Executive to agree to abide by the terms of their compensation into this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the plan. The Company (i) under applicable law, (ii) pursuant to the terms of any similar policy or recoupment provision in any employment agreement, severance agreement, equity award agreement, bonus plan or similar agreement or plan, and (iii) any other legal remedies available to the Company. Further, the provisions of this Policy are in addition to (and not in lieu of) any rights to repayment the Company may contribute into the plan at the discretion have under Section 304 of the Sarbanes-Oxley Act of 2002.

XII. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

XIII. Disclosure

The circumstances of any recoupment pursuant to this Policy will be publicly disclosed where required by Rule 10D-1, Item 402 of Regulation S-K and Rule 5608 or any other applicable law, rule, or regulation. In accordance with Rule 10D-1, this Policy shall be filed with the SEC as an exhibit to the Company's Board Form 10-K, as provided in Item 601(b) of Directors. The Company did not make any contributions for 2022 and 2021. Regulation S-K.

Effective December 2, 2022, the Board members approved a motion to extend the Chief Executive Officer's employment agreement, dated December 4, 2012, for an additional two-year term ending December 2024. In the event **XIV. Change of disability, the Chief Executive Officer's salary would be continued for up to five years at 75% of its current level of compensation. In the event of a sale or merger of the Company and the Chief Executive Officer is not retained in his current position, the Company would be obligated to continue paying the Chief Executive Officer's current compensation and benefits for seven years following the merger or sale. The agreement further provides that the Chief Executive Officer is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 65), (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of twenty years in annual installments in the amount equal to 75% of his then current level of compensation.** Listing

In the event that the Chief Company lists its securities on any national securities exchange or national securities association other than Nasdaq, all references to "Nasdaq" in this Policy shall mean each national securities exchange or national securities association upon which the Company has a class of securities then listed.

Exhibit A

Security National Financial Corporation

Executive Officer dies prior Incentive Compensation Clawback Policy

Acknowledgment Form

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Security National Financial Corporation Executive Incentive Compensation Clawback Policy (the "Policy"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "Acknowledgement Form") shall have the meanings ascribed to receiving all retirement benefits thereunder, such terms in the remaining benefits are Policy. By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be paid subject to his heirs. The Company expensed nil the Policy and

\$900,000 that the Policy will apply both during and after the years ended December 31, 2022 and 2021, respectively, undersigned's employment with the Company. Further, by signing below, the undersigned agrees to cover the present value of anticipated retirement benefits under the employment agreement. The liability accrued was \$7,556,363 and \$7,556,363 as of December 31, 2022 and 2021, respectively.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

11) Retirement Plans (Continued)

The Company, through its wholly owned subsidiary, SecurityNational Mortgage, also has an employment agreement with its former Vice President of Mortgage Operations and President of SecurityNational Mortgage, who retired from the Company on December 31, 2015. Under abide by the terms of the employment agreement, this individual is entitled Policy, including, without limitation, by returning any Erroneously Awarded Compensation to receive retirement benefits from the Company for a period of ten years in an amount equal to 50% of his rate of compensation at the time of his retirement, which was \$267,685 for the year ended December 31, 2015. Such retirement payments are paid monthly during the ten-year period. In the event that this individual dies prior to receiving all of his retirement benefits under his employment agreement, the remaining benefits will be made to his heirs. The company paid \$133,843 and \$133,843 in retirement compensation to this individual during the years ended December 31, 2022 and 2021, respectively. The liability accrued was \$401,529 and \$535,370 as of December 31, 2022 and 2021, respectively and is included in Other liabilities and accrued expenses on the consolidated balance sheets.

12) Capital Stock

The Company has one class of preferred stock of \$1.00 par value, 5,000,000 shares authorized, of which none are issued. The preferred stock is non-voting.

The Company has two classes of common stock with shares outstanding, Class A common shares and Class C common shares. Class C shares have 10 votes per share on all matters except for the election of one third of the directors who are elected solely by the Class A shares. Class C shares are convertible into Class A shares at any time on a one to one ratio.

Stockholders of both Class A and Class C common stock have received 5% stock dividends in the years 1990 through 2019, a 7.5% stock dividend in the year 2020, and a 5% stock dividend in the years 2021 and 2022, as authorized by the Company's Board of Directors.

The Company has Class B common stock of \$1.00 par value, 5,000,000 shares authorized, of which none are issued. Class B shares are non-voting stock except to any proposed amendment to the Articles of Incorporation which would affect Class B common stock.

The following table summarizes the activity extent required by, and in shares of capital stock.

	Class A	Class C
Outstanding shares at December 31, 2020	16,595,783	2,679,603
Exercise of stock options	160,282	104,656
Stock dividends	837,410	131,553
Conversion of Class C to Class A	49,247	(49,247)
Outstanding shares at December 31, 2021	17,642,722	2,866,565
Exercise of stock options	109,587	-
Stock dividends	889,554	139,462
Conversion of Class C to Class A	116,168	(116,168)
Outstanding shares at December 31, 2022	18,758,031	2,889,859

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

12) Capital Stock (Continued)

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:

	Years Ended December 31	
	2022	2021
Numerator:		
Net earnings	\$ 25,690,302	\$ 39,518,990
Denominator:		
Denominator for basic earnings per share-weighted-average shares	21,137,941	21,146,713
Effect of dilutive securities		
Employee stock options	807,927	812,916
Unvested restricted stock units	374	-
Dilutive potential common shares	808,301	812,916
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	21,946,242	21,959,629
Basic earnings per share	\$ 1.22	\$ 1.87
Diluted earnings per share	\$ 1.17	\$ 1.80

For the years ended December 31, 2022 and 2021, there were 339,150 and 50,000 of anti-dilutive employee 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.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

13) Stock Compensation Plans

The Company has three stock compensation plans (the “2013 Plan”, the “2014 Director Plan” and the “2022 Equity Incentive Plan”).

Stock Options

Stock based compensation expense for stock options issued of \$929,321 and \$118,384 has been recognized under these plans for the years ended December 31, 2022 and 2021, respectively, and is included in personnel expenses on the consolidated statements of earnings. As of December 31, 2022, the total unrecognized compensation expense related to the stock options issued was \$506,701, which is expected to be recognized over the vesting period.

The fair value of each stock 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.

The following table summarizes the assumptions used in estimating the fair value of each stock option granted along with the weighted-average fair value of the stock options granted.

Grant Date	Plan	Weighted-Average Fair Value of Each Option	Assumptions				
			Expected Dividend Yield (1)	Underlying stock FMV	Weighted-Average Volatility	Weighted-Average Risk-Free Interest Rate	Weighted-Average Expected Life (years)
December 2, 2022	All Plans	\$ 1.48	5 %	\$ 6.48	37.03 %	3.69 %	4.88
December 3, 2021	All Plans	\$ 2.99	5 %	\$ 8.62	36.50 %	1.15 %	5.31

(1) Stock dividend

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

13) Stock Compensation Plans (Continued)

Activity of the stock option plans is summarized as follows:

	Number of Class A Shares	Weighted Average Exercise Price	Number of Class C Shares	Weighted Average Exercise Price
Outstanding at January 1, 2021	1,072,863	\$ 4.12	662,666	\$ 4.50
Adjustment for the effect of stock dividends	47,594		33,136	
Granted	89,500		230,000	
Exercised	(183,935)		(104,656)	
Cancelled	(1,671)		-	
Outstanding at December 31, 2021	1,024,351	\$ 4.38	821,146	\$ 5.26
Adjustment for the effect of stock dividends	47,780		41,057	
Granted	82,500		295,000	
Exercised	(176,435)		-	
Cancelled	(1,591)		-	
Outstanding at December 31, 2022	976,605	\$ 4.78	1,157,203	\$ 5.59
Exercisable at end of year	897,105	\$ 4.63	862,203	\$ 5.26
Available options for future grant	132,313		795,000	
Weighted average contractual term of options outstanding at December 31, 2022	4.72 years		6.90 years	
Weighted average contractual term of options exercisable at December 31, 2022	4.26 years		6.24 years	
Aggregated intrinsic value of options outstanding at December 31, 2022 (1)	\$ 2,460,755		\$ 1,979,588	
Aggregated intrinsic value of options exercisable at December 31, 2022 (1)	\$ 2,397,275		\$ 1,758,488	

(1) The Company used a stock price of \$7.30 as of December 31, 2022 to derive intrinsic value.

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 years ended December 31, 2022 and 2021 was \$619,064 and \$1,153,417, respectively.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

13) Stock Compensation Plans (Continued)

Restricted Stock Units (“RSUs”)

Stock based compensation expense for RSUs issued of \$371 and nil has been recognized under these plans for the years ended December 31, 2022 and 2021, respectively, and is included in personnel expenses on the consolidated statements of earnings. As of December 31, 2022, the total unrecognized compensation expense related to the RSUs issued was \$742, which is expected to be recognized over the vesting period of three months. The fair value of each RSU granted is determined based on the Company’s stock price on the date of grant. The weighted average grant date fair value of RSUs granted on December 2, 2022 was \$6.48.

Activity of the RSUs is summarized as follows:

	Number of Class A Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2021	-	\$ -
Granted	1,620	6.48
Vested	-	
Non-vested at December 31, 2022	1,620	\$ 6.48
Available RSUs for future grant	18,380	
Aggregated intrinsic value of RSUs outstanding at December 31, 2022 (1)	\$ 1,328	

(1) The Company used a stock price of \$7.30 as of December 31, 2022 to derive intrinsic value.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

14) Statutory Financial Information and Dividend Limitations

The Company's insurance subsidiaries prepare their statutory-basis financial statements in conformity with accounting practices prescribed or manner permitted by, the insurance department of the applicable state of domicile. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. Policy.

The states in which the Company's life insurance subsidiaries are domiciled require the preparation of statutory-basis financial statements in conformity with the NAIC Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the applicable insurance commissioner and/or director. Statutory accounting practices differ from GAAP primarily since they require charging policy acquisition and certain sales inducement costs to expense as incurred, establishing life insurance reserves based on different actuarial assumptions, and valuing certain investments and establishing deferred taxes on a different basis.

COVERED EXECUTIVE

Print Name: _____

Date: _____

Statutory net income and capital and surplus of the Company's insurance subsidiaries, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities are as follows:

	Statutory Net Income		Statutory Capital and Surplus	
	Years Ended December 31		December 31	
	2022	2021	2022	2021
Amounts by insurance subsidiary:				
Security National Life Insurance Company	\$ 9,126,955	\$ 5,552,116	\$ 66,753,938	\$ 57,424,808
Kilpatrick Life Insurance Company	2,373,682	1,312,718	17,300,717	15,566,231
First Guaranty Insurance Company	1,007,026	624,550	8,107,405	7,734,357
Memorial Insurance Company of America	-	37	-	-
Southern Security Life Insurance Company, Inc.	(2,691)	275	1,579,971	1,578,225
Trans-Western Life Insurance Company	4,008	(2,089)	512,555	508,547
Total	<u>\$ 12,508,980</u>	<u>\$ 7,487,607</u>	<u>\$ 94,254,586</u>	<u>\$ 82,812,168</u>

The Utah, Louisiana, Mississippi and Texas Insurance Departments impose minimum risk-based capital ("RBC") requirements that were developed by the NAIC on insurance enterprises. The formulas for determining the RBC specify various factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio (the Ratio) of the enterprise's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The life insurance subsidiaries each have a ratio that is greater than the first level of regulatory action as of December 31, 2022. The Company does not have any guarantees to maintain the capital and surplus of any affiliates except for the Company's agreement to provide additional capital to Security National Life Insurance Company in the event risk-based capital drops below 350% of the authorized control level.

Generally, the net assets of the life insurance subsidiaries available for transfer to the Company are limited to the amounts of the life insurance subsidiaries net assets, as determined in accordance with statutory accounting practices, that exceed minimum statutory capital requirements. Additional requirements must be met depending on the state, and payments of such amounts as dividends are subject to approval by regulatory authorities.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

14) Statutory Financial Information and Dividend Limitations (Continued)

Under the Utah Insurance Code, Security National Life Insurance Company is permitted to pay stockholder dividends, or otherwise make distributions, to the Company subject to certain limitations. Security National Life Insurance Company must ensure that its surplus held for policyholders is reasonable in relation to its outstanding liabilities and adequate to its financial needs after payment of any such dividend or distribution. Furthermore, where any dividend or distribution, together with all other dividends and distributions made within the preceding 12 months, exceeds the lesser of (i) 10% of its surplus held for policyholders as of the next preceding December 31; or (ii) its net gain from operations, not including realized capital gains, for the 12-month period ending the next preceding December 31, such dividend or distribution constitutes “extraordinary” under Utah law and Security National Life Insurance Company would be required to file notice of its intention to declare such a dividend or make such a distribution with the Utah Commissioner and the Utah Commissioner must either approve the distribution or dividend or not disapprove the dividend or distribution within 30 days’ of the notice filing. Based on Security National Life Insurance Company’s surplus held for policyholders and net gain from operations as of December 31, 2022, the maximum aggregate amount of dividends and distributions that it could pay or make in 2023 and which would not constitute an “extraordinary” dividend or distribution under Utah law, and would therefore not require notice and approval or lack of disapproval from the Utah Commissioner, would be approximately \$6,420,000.

Under the Louisiana Insurance Code, First Guaranty Insurance Company and Kilpatrick Life Insurance Company are permitted to pay stockholder dividends, or otherwise make distributions, to the Company subject to certain limitations. First Guaranty Insurance Company and Kilpatrick Life Insurance Company must ensure that its surplus held for policyholders is reasonable in relation to its outstanding liabilities and adequate to its financial needs after payment of any such dividend or distribution. Furthermore, where any dividend or distribution, together with all other dividends and distributions made within the preceding 12 months, exceeds the lesser of (i) 10% of its surplus held for policyholders as of the next preceding December 31; or (ii) its net gain from operations, not including realized capital gains, for the 12-month period ending the next preceding December 31, such dividend or distribution constitutes “extraordinary” under Louisiana law and First Guaranty Insurance Company and Kilpatrick Life Insurance Company would be required to file notice of its intention to declare such a dividend or make such a distribution with the Louisiana Commissioner and the Louisiana Commissioner must either approve the distribution or dividend or not disapprove the dividend or distribution within 30 days’ of the notice filing. Based on First Guaranty Insurance Company’s and Kilpatrick Life Insurance Company’s surplus held for policyholders and net gain from operations as of December 31, 2022, the maximum aggregate amount of dividends and distributions that it could pay or make in 2023 and which would not constitute an “extraordinary” dividend or distribution under Louisiana law, and would therefore not require notice and approval or lack of disapproval from the Louisiana Commissioner, would be approximately \$710,000 for First Guaranty Insurance Company and \$1,650,000 for Kilpatrick Life Insurance Company.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

15) 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 pre-sold loans before the funds are received from financial institutional investors.

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. 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.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

15) Business Segment Information (Continued)

	Year Ended December 31, 2022				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Intercompany Eliminations	Consolidated
Revenues:					
From external sources:					
Revenue from customers	\$ 105,144,646	\$ 26,993,855	\$ 173,356,675	-	\$ 305,495,176
Net investment income	62,565,021	2,444,599	1,187,972	-	66,197,592
Gains (losses) on investments and other assets	(459,462)	(796,096)	398,098	-	(857,460)
Other than temporary impairments	-	-	-	-	-
Other revenues	1,932,402	305,073	16,579,545	-	18,817,020
Intersegment revenues:					
Net investment income	6,601,132	451,139	356,574	(7,408,845)	-
Total revenues	<u>175,783,739</u>	<u>29,398,570</u>	<u>191,878,864</u>	<u>(7,408,845)</u>	<u>389,652,328</u>
Expenses:					
Death, surrenders and other policy benefits	64,066,432	-	-	-	64,066,432
Increase in future policy benefits	28,858,969	-	-	-	28,858,969
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	17,352,803	597,399	-	-	17,950,202
Selling, general and administrative expenses:					
Commissions	4,097,680	1,372,200	57,851,212	-	63,321,092
Personnel	26,285,207	9,305,429	64,520,887	-	100,111,523
Advertising	1,649,273	628,114	3,420,611	-	5,697,998
Rent and rent related	384,908	163,182	6,334,923	-	6,883,013
Depreciation on property and equipment	1,036,521	759,415	700,970	-	2,496,906
Provision for loan loss reserve	-	-	-	-	-
Cost related to funding mortgage loans	-	-	7,540,041	-	7,540,041
Intersegment	232,915	160,690	1,795,507	(2,189,112)	-
Other	13,190,827	5,321,730	27,285,196	-	45,797,753
Interest expense:					
Intersegment	462,753	274,911	4,482,069	(5,219,733)	-
Other	3,969,905	710	3,859,828	-	7,830,443
Costs of goods and services sold-mortuaries and cemeteries	-	4,721,094	-	-	4,721,094
Total benefits and expenses	<u>161,588,193</u>	<u>23,304,874</u>	<u>177,791,244</u>	<u>(7,408,845)</u>	<u>355,275,466</u>
Earnings before income taxes	<u>\$ 14,195,546</u>	<u>\$ 6,093,696</u>	<u>\$ 14,087,620</u>	<u>\$ -</u>	<u>\$ 34,376,862</u>
Income tax expense	<u>(4,034,979)</u>	<u>(1,523,954)</u>	<u>(3,127,627)</u>	<u>-</u>	<u>(8,686,560)</u>
Net earnings	<u><u>\$ 10,160,567</u></u>	<u><u>\$ 4,569,742</u></u>	<u><u>\$ 10,959,993</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,690,302</u></u>
Identifiable assets	<u>\$ 1,246,840,586</u>	<u>\$ 82,320,929</u>	<u>\$ 219,872,163</u>	<u>\$ (93,174,569)</u>	<u>\$ 1,455,859,109</u>
Goodwill	<u>\$ 2,765,570</u>	<u>\$ 2,488,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,253,783</u>

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

15) Business Segment Information (Continued)

	Year Ended December 31, 2021				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Intercompany Eliminations	Consolidated
Revenues:					
From external sources:					
Revenue from customers	\$ 100,254,573	\$ 23,997,313	\$ 263,418,230	-	\$ 387,670,116
Net investment income	56,091,725	1,653,940	519,018	-	58,264,683
Gains on investments and other assets	4,554,528	1,511,965	198,641	-	6,265,134
Other than temporary impairments	(39,502)	-	-	-	(39,502)
Other revenues	2,152,531	100,255	16,282,325	-	18,535,111
Intersegment revenues:					
Net investment income	7,569,875	314,001	599,115	(8,482,991)	-
Total revenues	170,583,730	27,577,474	281,017,329	(8,482,991)	470,695,542
Expenses:					
Death, surrenders and other policy benefits	67,218,455	-	-	-	67,218,455
Increase in future policy benefits	26,263,312	-	-	-	26,263,312
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	15,611,374	531,596	-	-	16,142,970
Selling, general and administrative expenses:					
Commissions	3,514,498	1,917,899	112,854,072	-	118,286,469
Personnel	25,009,096	6,850,617	68,880,448	-	100,740,161
Advertising	1,160,640	570,924	4,894,854	-	6,626,418
Rent and rent related	733,726	109,318	6,399,243	-	7,242,287
Depreciation on property and equipment	806,543	479,005	650,065	-	1,935,613
Provision for loan loss reserve	-	-	-	-	-
Cost related to funding mortgage loans	-	-	10,541,570	-	10,541,570
Intersegment	497,113	113,062	671,107	(1,281,282)	-
Other	12,075,374	5,224,178	35,766,430	-	53,065,982
Interest expense:					
Intersegment	392,003	97,195	6,712,511	(7,201,709)	-
Other	2,328,868	54,620	4,744,028	-	7,127,516
Costs of goods and services sold-mortuaries and cemeteries	-	3,704,014	-	-	3,704,014
Total benefits and expenses	155,611,002	19,652,428	252,114,328	(8,482,991)	418,894,767
Earnings before income taxes	\$ 14,972,728	\$ 7,925,046	\$ 28,903,001	\$ -	\$ 51,800,775
Income tax expense	(2,943,715)	(1,975,787)	(7,362,283)	-	(12,281,785)
Net earnings	\$ 12,029,013	\$ 5,949,259	\$ 21,540,718	\$ -	\$ 39,518,990
Identifiable assets	\$ 1,236,406,558	\$ 73,432,116	\$ 328,600,841	\$ (96,099,992)	\$ 1,542,339,523
Goodwill	\$ 2,765,570	\$ 2,488,213	\$ -	\$ -	\$ 5,253,783

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

16) Related Party Transactions

The Company's Board of Directors has a written procedure, which requires disclosure to the Board of any material interest or any affiliation on the part of any of its officers, directors or employees that is in conflict or may be in conflict with the interests of the Company. The Company and its Board of Directors is unaware of any related party transactions that require disclosure as of December 31, 2022.

17) 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 the 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.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

17) Fair Value of Financial Instruments (Continued)

Restricted Assets: A portion of these assets include mutual funds, equity securities and fixed maturity securities available for sale 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 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 available for sale 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 consolidated balance sheets for these financial instruments approximate their fair values due to their short-term nature.

Call and Put Options: The Company uses quoted market prices to value its call and put options.

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

The items shown under Level 3 are valued as follows:

Loans Held for Sale: The Company 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.

Loan Commitments and Forward Sale Commitments: The Company's mortgage segment enters into loan commitments with potential borrowers and forward sale commitments to sell loans to 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 of time, 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 fund 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 area comparables and property condition as well as 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.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

17) Fair Value of Financial Instruments (Continued)

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 used 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 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.

The following table summarizes Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the consolidated balance sheet at December 31, 2022.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturity securities available for sale	\$ 345,858,492	\$ -	\$ 344,422,973	\$ 1,435,519
Equity securities	11,682,526	11,682,526	-	-
Loans held for sale	141,179,620	-	-	141,179,620
Restricted assets (1)	1,217,308	-	1,217,308	-
Restricted assets (2)	5,348,244	5,348,244	-	-
Cemetery perpetual care trust investments (1)	254,731	-	254,731	-
Cemetery perpetual care trust investments (2)	3,605,162	3,605,162	-	-
Derivatives - loan commitments (3)	4,089,856	-	-	4,089,856
Total assets accounted for at fair value on a recurring basis	<u>\$ 513,235,939</u>	<u>\$ 20,635,932</u>	<u>\$ 345,895,012</u>	<u>\$ 146,704,995</u>
Liabilities accounted for at fair value on a recurring basis				
Derivatives - call options (4)	\$ (29,715)	\$ (29,715)	\$ -	\$ -
Derivatives - put options (4)	(13,888)	(13,888)	-	-
Derivatives - loan commitments (4)	<u>(1,382,979)</u>	<u>-</u>	<u>-</u>	<u>(1,382,979)</u>
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 Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

17) Fair Value of Financial Instruments (Continued)

The following table summarizes Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the consolidated balance sheet at December 31, 2021.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturity securities available for sale	\$ 259,287,603	\$ -	\$ 257,264,255	\$ 2,023,348
Equity securities	11,596,414	11,596,414	-	-
Loans held for sale	302,776,827	-	-	302,776,827
Restricted assets (1)	1,601,688	-	1,601,688	-
Restricted assets (2)	3,603,822	3,603,822	-	-
Cemetery perpetual care trust investments (1)	784,765	-	784,765	-
Cemetery perpetual care trust investments (2)	3,302,480	3,302,480	-	-
Derivatives - loan commitments (3)	8,563,410	-	-	8,563,410
Total assets accounted for at fair value on a recurring basis	<u>\$ 591,517,009</u>	<u>\$ 18,502,716</u>	<u>\$ 259,650,708</u>	<u>\$ 313,363,585</u>
Liabilities accounted for at fair value on a recurring basis				
Derivatives - call options (4)	\$ (50,936)	\$ (50,936)	\$ -	\$ -
Derivatives - put options (4)	(4,493)	(4,493)	-	-
Derivatives - loan commitments (4)	(1,547,895)	-	-	(1,547,895)
Total liabilities accounted for at fair value on a recurring basis	<u>\$ (1,603,324)</u>	<u>\$ (55,429)</u>	<u>\$ -</u>	<u>\$ (1,547,895)</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

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

	Fair Value at 12/31/2022	Valuation Technique	Significant Unobservable Input(s)	Range of Inputs		Weighted Average
				Minimum Value	Maximum 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 %
Derivatives - loan commitments (net)	2,706,877	Market approach	Pull-through rate	65.0 %	95.0 %	82.2 %

			Initial-Value Servicing	N/A 0 bps	N/A 153 bps	N/A 73 bps
Fixed maturity securities available for sale	1,435,519	Broker quotes	Pricing quotes	\$ 100.00	\$ 111.11	\$ 104.97
			100			

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

17) Fair Value of Financial Instruments (Continued)

For Level 3 assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at 12/31/2021	Valuation Technique	Significant Unobservable Input(s)	Range of Inputs		Weighted Average
				Minimum Value	Maximum Value	
Loans held for sale	\$ 302,776,827	Market approach	Investor contract pricing as a percentage of unpaid principal balance	95.0 %	109.0 %	103.0 %
Derivatives - loan commitments (net)	7,015,515	Market approach	Pull-through rate Initial-Value Servicing	66.0 % N/A 0 bps	95.0 % N/A 148 bps	81.0 % N/A 61 bps
Fixed maturity securities available for sale	2,023,348	Broker quotes	Pricing quotes	\$ 96.87	\$ 111.11	\$ 106.73

The following table is a summary of changes in the consolidated balance sheet line items measured using level 3 inputs:

	Net Derivatives 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/purchases	-	3,373,554,484	-
Sales, maturities and paydowns	-	(3,549,405,402)	(528,980)
Transfer to mortgage loans held for investment	-	(51,691,213)	-
Total gains (losses):			
Included in earnings	(4,308,638)(1)	65,944,924(1)	1,957(2)
Included in other comprehensive income	-	-	(60,806)
Balance - December 31, 2022	\$ 2,706,877	\$ 141,179,620	\$ 1,435,519

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

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

The following table is a summary of changes in the consolidated balance sheet line items measured using level 3 inputs:

	Net Derivatives Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2020	\$ 10,128,610	\$ 422,772,418	\$ 2,201,175
Originations/purchases	-	5,611,189,587	-
Sales, maturities and paydowns	-	(5,900,076,766)	(45,700)
Transfer to mortgage loans held for investment	-	(201,951)	-
Total gains (losses):			
Included in earnings	(3,113,095)(1)	169,093,539(1)	3,674(2)
Included in other comprehensive income	-	-	(135,801)

Balance - December 31, 2021	\$ 7,015,515	\$ 302,776,827	\$ 2,023,348
(1) As a component of mortgage fee income on the consolidated statements of earnings			
(2) As a component of net investment income on the consolidated statements of earnings			
	101		

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

17) Fair Value of Financial Instruments (Continued)

The following table summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a nonrecurring basis by their classification in the consolidated balance sheet at December 31, 2022.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Impaired mortgage loans held for investment	\$ 794,224	\$ -	\$ -	\$ 794,224
Total assets accounted for at fair value on a nonrecurring basis	<u>\$ 794,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 794,224</u>

The following table summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a nonrecurring basis by their classification in the consolidated balance sheet at December 31, 2021.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Impaired mortgage loans held for investment	\$ 851,903	\$ -	\$ -	\$ 851,903
Impaired real estate held for sale	2,000,000	-	-	2,000,000
Total assets accounted for at fair value on a nonrecurring basis	<u>\$ 2,851,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,851,903</u>

102

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

17) 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 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 at December 31, 2022 and 2021.

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:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans held for investment					
Residential	\$ 90,290,776	\$ -	\$ -	\$ 88,575,293	\$ 88,575,293
Residential construction	172,139,077	-	-	172,139,077	172,139,077
Commercial	45,694,074	-	-	44,079,537	44,079,537
Mortgage loans held for investment, net	\$ 308,123,927	\$ -	\$ -	\$ 304,793,907	\$ 304,793,907
Policy loans	13,095,473	-	-	13,095,473	13,095,473
Insurance assignments, net (1)	45,332,585	-	-	45,332,585	45,332,585
Restricted assets (2)	1,731,469	-	-	1,731,469	1,731,469
Cemetery perpetual care trust investments (2)	1,506,517	-	-	1,506,517	1,506,517
Mortgage servicing rights, net	3,039,765	-	-	3,927,877	3,927,877
Liabilities					
Bank and other loans payable	\$ (161,712,804)	\$ -	\$ -	\$ (161,712,804)	\$ (161,712,804)
Policyholder account balances (3)	(41,146,171)	-	-	(42,181,089)	(42,181,089)
Future policy benefits - annuities (3)	(106,637,094)	-	-	(126,078,031)	(126,078,031)

(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

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

17) 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, 2021:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans held for investment					
Residential	\$ 51,396,172	\$ -	\$ -	\$ 55,159,167	\$ 55,159,167
Residential construction	174,691,408	-	-	174,691,408	174,691,408
Commercial	51,218,466	-	-	51,008,709	51,008,709
Mortgage loans held for investment, net	\$ 277,306,046	\$ -	\$ -	\$ 280,859,284	\$ 280,859,284
Policy loans	13,478,214	-	-	13,478,214	13,478,214
Insurance assignments, net (1)	46,946,590	-	-	46,946,590	46,946,590
Restricted assets (2)	2,732,320	-	-	2,732,320	2,732,320
Cemetery perpetual care trust investments (2)	1,823,533	-	-	1,823,533	1,823,533
Mortgage servicing rights, net	53,060,455	-	-	68,811,809	68,811,809
Liabilities					
Bank and other loans payable	\$ (251,286,927)	\$ -	\$ -	\$ (251,286,927)	\$ (251,286,927)
Policyholder account balances (3)	(42,939,055)	-	-	(35,855,934)	(35,855,934)
Future policy benefits - annuities (3)	(107,992,830)	-	-	(116,215,717)	(116,215,717)

(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 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 of mortgage loans 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 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 short in maturity. Accordingly, the carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

17) Fair Value of Financial Instruments (Continued)

Bank and Other Loans Payable: The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values due to their relatively short-term maturities and variable interest 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 in excess of 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.

18) Accumulated Other Comprehensive Income

The following summarizes the changes in accumulated other comprehensive income:

	December 31	
	2022	2021
Unrealized gains on fixed maturity securities available for sale	\$ (39,493,861)	\$ (7,323,241)
Amounts reclassified into net earnings	162,173	805,510
Net unrealized gains before taxes	(39,331,688)	(6,517,731)
Tax expense	8,259,656	1,368,721
Net	(31,072,032)	(5,149,010)
Unrealized gains on restricted assets (1)	(71,035)	(23,250)
Tax expense	17,695	5,792
Net	(53,340)	(17,458)
Unrealized gains on cemetery perpetual care trust investments (1)	(20,446)	(11,114)
Tax expense	5,093	2,769
Net	(15,353)	(8,345)
Unrealized gains for foreign currency translations adjustments	-	2,835
Tax expense	-	(707)
Net	-	2,128
Other comprehensive income changes	\$ (31,140,725)	\$ (5,172,685)

(1) Fixed maturity securities available for sale

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

The following is the accumulated balances of other comprehensive income as of December 31, 2022:

	Beginning Balance December 31, 2021	Change for the period	Ending Balance December 31, 2022
Unrealized gains (losses) on fixed maturity securities available for sale	\$ 18,021,265	\$ (31,072,032)	\$ (13,050,767)
Unrealized gains (losses) on restricted assets (1)	40,192	(53,340)	(13,148)
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	8,991	(15,353)	(6,362)
Other comprehensive income	<u>\$ 18,070,448</u>	<u>\$ (31,140,725)</u>	<u>\$ (13,070,277)</u>

(1) Fixed maturity securities available for sale

The following is the accumulated balances of other comprehensive income as of December 31, 2021:

	Beginning Balance December 31, 2020	Change for the period	Ending Balance December 31, 2021
Unrealized gains (losses) on fixed maturity securities available for sale	\$ 23,170,275	\$ (5,149,010)	\$ 18,021,265
Unrealized gains (losses) on restricted assets (1)	57,650	(17,458)	40,192
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	17,336	(8,345)	8,991
Foreign currency translation adjustments	(2,128)	2,128	-
Other comprehensive income	<u>\$ 23,243,133</u>	<u>\$ (5,172,685)</u>	<u>\$ 18,070,448</u>

(1) Fixed maturity securities available for sale

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

19) Derivative Instruments

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

	Balance Sheet Location	December 31, 2022			December 31, 2021		
		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	\$ 453,371,808	\$ 4,089,856	\$ 1,382,979	\$ 862,568,967	\$ 8,563,410	\$ 1,547,895
Call options	Other liabilities	868,600	—	29,715	982,500	—	50,936
Put options	Other liabilities	654,500	—	13,888	362,900	—	4,493
Total		<u>\$ 454,894,908</u>	<u>\$ 4,089,856</u>	<u>\$ 1,426,582</u>	<u>\$ 863,914,367</u>	<u>\$ 8,563,410</u>	<u>\$ 1,603,324</u>

The following table 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	Years ended December 31	
		2022	2021
Loan commitments	Mortgage fee income	<u>\$ (4,308,638)</u>	<u>\$ (3,113,095)</u>
Call and put options	Gains on investments and other assets	<u>\$ 202,886</u>	<u>\$ 160,410</u>

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

20) Acquisitions

Rivera Funerals, Cremations and Memorial Gardens

On December 21, 2021, the Company, through its wholly-owned subsidiary, Memorial Estates Inc., completed a business combination transaction with Rivera Funerals, Cremations and Memorial Gardens. The mortuaries and cemetery are located in New Mexico.

Under the terms of the transaction, as set forth in the Asset Purchase Agreement, dated December 21, 2021, Memorial Estates Inc. paid a net purchase price of \$10,693,395 for the business and assets of Rivera Funerals, Cremations and Memorial Gardens, subject to holdback amounts held by Memorial Estates, Inc. in the total amount of \$1,120,000. Pursuant to the Asset Purchase Agreement, Memorial Estates, Inc. used \$70,000 of the holdback amount to pay trade accounts payable of Rivera Funerals, Cremations and Memorial Gardens to third parties that remained unpaid at the time of purchase. The remaining \$1,050,000 holdback amount is to be released and paid by Memorial Estates Inc. in annual payments of up to \$105,000 each, beginning in January 2023.

The estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition were as follows:

Restricted assets (1)	\$ 618,006
Property and equipment (2)	6,255,836
Cemetery land and improvements	658,280
Goodwill	1,338,763
Other (3)	2,440,516
Total assets acquired	<u>11,311,401</u>
Cemetery perpetual care obligation	(618,006)
Other liabilities - holdback	(1,120,000)
Total liabilities assumed	<u>(1,738,006)</u>
Fair value of net assets acquired/consideration paid	<u>\$ 9,573,395</u>

(1) Includes \$39,000 of cash and \$579,006 of fixed maturity securities, available for sale, at estimated fair value which is a Level 2 asset in the fair value hierarchy

(2) At estimated fair value which is a Level 3 asset in the fair value hierarchy

(3) Including \$2,310,000 of intangible assets

Rivera Funerals, Cremations and Memorial Gardens revenues and net earnings since the date of acquisition for the year ended December 31, 2021 were \$137,386 and \$14,892, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

20) Acquisitions (Continued)

Holbrook Mortuary

On December 28, 2021, the Company, through its wholly-owned subsidiary, Memorial Mortuary Inc., completed a business combination transaction with Holbrook Mortuary located in Salt Lake City, Utah.

Under the terms of the transaction, as set forth in the Asset Purchase Agreement, dated December 28, 2021, Memorial Mortuary Inc. paid a net purchase price of \$3,051,747 for the business and assets of Holbrook Mortuary.

The estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition were as follows:

Property and equipment ⁽¹⁾	\$	2,641,210
Goodwill		395,432
Other		15,105
Total assets acquired		<u>3,051,747</u>
Fair value of net assets acquired/consideration paid	\$	<u>3,051,747</u>

(1) At estimated fair value which is a Level 3 asset in the fair value hierarchy

Holbrook Mortuary's revenues and net loss since the date of acquisition for the year ended December 31, 2021 were nil and \$(98,531), respectively.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

21) Mortgage Servicing Rights

The Company reports MSR activity pursuant to the accounting policy discussed in Note 1 of the Notes to Consolidated Financial Statements. The following table presents the MSR activity.

	December 31	
	2022	2021
Amortized cost:		
Balance before valuation allowance at beginning of year	\$ 53,060,455	\$ 35,210,516
MSR additions resulting from loan sales	10,243,922	32,701,819
Amortization (1)	(9,078,706)	(14,851,880)
Sale of MSRs	(51,185,906)	-
Application of valuation allowance to write down MSRs with other than temporary impairment	-	-
Balance before valuation allowance at year end	\$ 3,039,765	\$ 53,060,455
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 year end	\$ -	\$ -
Mortgage servicing rights, net	\$ 3,039,765	\$ 53,060,455
Estimated fair value of MSRs at year end	\$ 3,927,877	\$ 68,811,809

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

The following table summarizes the Company's estimate of future amortization of its existing MSRs carried at amortized cost. This projection was developed using the assumptions made by management in its December 31, 2022 valuation of MSRs. The assumptions underlying the following estimate will change as market conditions and portfolio composition and behavior change, causing both actual and projected amortization levels to change over time. Therefore, the following estimates will change in a manner and amount not presently determinable by management.

	Estimated MSR Amortization
2023	\$ 316,449
2024	286,934
2025	260,259
2026	234,139
2027	211,523
Thereafter	1,730,461
Total	\$ 3,039,765

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

21) Mortgage Servicing Rights (Continued)

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

	Years Ended December 31	
	2022	2021
Contractual servicing fees	\$ 15,792,105	\$ 15,471,307
Late fees	398,754	321,337
Total	<u>\$ 16,190,859</u>	<u>\$ 15,792,644</u>

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

	December 31	
	2022	2021
Servicing UPB	\$ 360,023,384	\$ 7,060,536,350

The following key assumptions were used in determining MSR value.

	Prepayment Speeds	Average Life(Years)	Discount Rate
December 31, 2022	8.12	8.49	11.95
December 31, 2021	11.60	6.64	9.50

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 of 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 and anticipates the release of the holdbacks in the first quarter of 2023.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

22) Future Policy Benefits and Unpaid Claims

The Company reports future policy benefits and unpaid claims pursuant to the accounting policy discussed in Note 1 of the Notes to Consolidated Financial Statements.

The following table provides information regarding future policy benefits and unpaid claims and the related receivable from reinsurers.

	December 31	
	2022	2021
Life	\$ 726,462,594	\$ 698,366,477
Annuities	106,637,094	107,992,830
Policyholder account balances	41,146,171	42,939,055
Accident and health	603,526	629,302
Other policyholder funds	4,279,218	4,352,217
Reported but unpaid claims	5,651,030	4,887,934
Incurred but not reported claims	4,547,670	4,106,878
Gross future policy benefits and unpaid claims	\$ 889,327,303	\$ 863,274,693
<u>Receivable from reinsurers</u>		
Life	10,600,613	10,482,428
Annuities	4,225,873	4,082,877
Accident and health	79,467	88,474
Reported but unpaid claims	110,985	177,829
Incurred but not reported claims	17,000	19,000
Total receivable from reinsurers	15,033,938	14,850,608
Net future policy benefits and unpaid claims	\$ 874,293,365	\$ 848,424,085
Net unpaid claims	\$ 10,070,715	\$ 8,797,983

The following table provides a rollforward of the Company's liability for reported but unpaid claims and incurred but not reported claims, net of the related receivable from reinsurers.

	Life	Annuities	Accident and Health	Total
Balance at 12/31/2020	\$ 10,286,319	\$ 1,111,441	\$ 17,000	\$ 11,414,760
Incurred	63,247,616 (1)	14,036,473 (2)	230,395 (3)	77,514,484
Settled	(65,518,834)	(14,469,536)	(142,891)	(80,131,261)
Balance at 12/31/2021	8,015,101	678,378	104,504	8,797,983
Incurred	59,377,962 (1)	13,987,576 (2)	40,744 (3)	73,406,282
Settled	(57,988,800)	(14,016,502)	(128,248)	(72,133,550)
Balance at 12/31/2022	\$ 9,404,263	\$ 649,452	\$ 17,000	\$ 10,070,715

(1) See death benefits on the consolidated statements of earnings

(2) Included in increase in future benefits on the consolidated statements of earnings

(3) Included in surrender and other policy benefits on the consolidated statements of earnings

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

23) Revenues from Contracts with Customers

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

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 total contract liability for future obligations is included in deferred pre-need cemetery and mortuary contract revenues on the consolidated balance sheets and, as of December 31, 2022 and 2021, the balances were \$16,226,836 and \$14,508,022, respectively.

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. As of December 31, 2022 and 2021, the balances were \$15,289,901 and \$13,722,348, respectively.

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. As of December 31, 2022 and 2021, the balances were \$936,935 and \$785,674, respectively. Deferred revenue for at-need specialty revenue is not placed in trust.

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. As of December 31, 2022 and 2021, the balances were nil and nil, respectively. 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 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. A transfer of goods and services does not fulfill an obligation and revenue remains deferred.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

23) 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 (1/1/2022)	\$ 5,298,636	\$ -	\$ 14,508,022
Closing (12/31/2022)	5,392,779	-	16,226,836
Increase/(decrease)	94,143	-	1,718,814
	Contract Balances		
	Receivables (1)	Contract Asset	Contract Liability
Opening (1/1/2021)	\$ 4,119,988	\$ -	\$ 13,080,179
Closing (12/31/2021)	5,298,636	-	14,508,022
Increase/(decrease)	1,178,648	-	1,427,843

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

The following table disaggregates the opening and closing balances of the Company's contract balances.

	Contract Balances	
	Contract Asset	Contract Liability
Pre-need merchandise and services	\$ -	\$ 13,722,348
At-need specialty merchandise	-	785,674
Pre-need land sales	-	-
Opening (1/1/2022)	\$ -	\$ 14,508,022
Pre-need merchandise and services	\$ -	\$ 15,289,901
At-need specialty merchandise	-	936,935
Pre-need land sales	-	-
Closing (12/31/2022)	\$ -	\$ 16,226,836
	Contract Balances	
	Contract Asset	Contract Liability
Pre-need merchandise and services	\$ -	\$ 12,545,753
At-need specialty merchandise	-	534,426
Pre-need land sales	-	-
Opening (1/1/2021)	\$ -	\$ 13,080,179
Pre-need merchandise and services	\$ -	\$ 13,722,348
At-need specialty merchandise	-	785,674
Pre-need land sales	-	-
Closing (12/31/2021)	\$ -	\$ 14,508,022

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

23) Revenues from Contracts with Customers (Continued)

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the opening contract liability balance was \$4,588,290 and \$4,528,646, 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.

	Years Ended December 31	
	2022	2021
<u>Major goods/service lines</u>		
At-need	\$ 21,283,237	\$ 16,220,541
Pre-need	5,710,618	7,776,772
	<u>\$ 26,993,855</u>	<u>\$ 23,997,313</u>
<u>Timing of Revenue Recognition</u>		
Goods transferred at a point in time	\$ 16,412,963	\$ 16,793,439
Services transferred at a point in time	10,580,892	7,203,874
	<u>\$ 26,993,855</u>	<u>\$ 23,997,313</u>

Significant Judgments and Estimates

The Company's cemetery and mortuary segment recognizes revenue on future performance obligations when goods are delivered and when services are performed and is not determined by the terms or payments of the contract as long as any good or service is paid in full prior to delivery. Prices are determined based on the market at the time a contract is created. Goods or services are not partially completed. There are no significant judgements, estimations or allocation methods when revenue should be recognized.

Practical Expedients

The Company has not elected to use any of the practical expedients under ASC 606.

Contract Costs

The Company's cemetery and mortuary segment defers certain costs associated with obtaining a contract on future obligations.

Pre-need Merchandise and Service Revenue: Pre-need merchandise and service revenues are deferred until the goods or services are delivered. Recognition can be years until the obligations are satisfied. Commissions and other costs are capitalized and deferred until the obligation is satisfied. Other costs include rent on pre-need offices and training rooms, and call center costs. Costs that are allocated based on a percentage include family service advisor compensation, bonuses, utilities and supplies that are all used to procure a pre-need sale.

At-need Specialty Merchandise Revenue: At-need specialty merchandise is ordered from a third-party manufacturer. Generally, at-need specialty merchandise is ordered and received within 90 days of order. These orders are also short-term in nature and are deferred until the product is received from the manufacturer and the obligation is satisfied.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

23) Revenues from Contracts with Customers (Continued)

Deferred Pre-need Land Revenue: Revenue is recognized on pre-need land sales when the customer has paid at least 10% toward the land price. In cases where customers pay less than 10% the revenue and associated commissions are deferred until such time when 10% of the contract price is received.

The following table disaggregates contract costs that are included in deferred policy and pre-need contract acquisition costs on the consolidated balances sheets.

	Years Ended December 31	
	2022	2021
Pre-need merchandise and services	\$ 3,780,173	\$ 3,688,579
At-need specialty merchandise	35,371	29,688
Pre-need land sales	-	-
	<u>\$ 3,815,544</u>	<u>\$ 3,718,267</u>

24) Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. The Company determines if a contract is a lease at the inception of the contract. At the commencement date of a lease, the Company measures the lease liability at the present value of the lease payments over the lease term, discounted using the discount rate for the lease. The Company uses the rate implicit in the lease, if available, otherwise the Company uses its incremental borrowing rate. Also, at the commencement date of a lease, the Company measures the cost of the related right-of-use asset which consists of the amount of the initial measurement of the lease liability, any lease payments made to the lessor at or before the commencement date, minus any lease incentives received and any initial direct costs incurred by the Company.

Information about the Nature of Leases and Subleases

The Company leases office space and equipment from third-parties under various non-cancelable agreements. The Company has operating leases for office space for its segments in areas where it conducts business. The Company subleases some of this office space. The Company also has finance leases for certain equipment, such as copy machines and postage machines. The Company does not have any lease agreements with variable lease payments. The Company has not included any options to extend or terminate leases in the recognition of the right-of-use assets or lease liabilities because of the uncertainty that they will be exercised. No residual value guarantees have been provided to the Company. The Company does not have any restrictions or covenants imposed by leases.

Leases that have not Commenced

The Company does not have any leases that have not commenced that create significant rights or obligations for the Company.

Related Party Lease Transactions

The Company does not have any related party lease transactions that require disclosure as of December 31, 2022.

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

24) Leases (Continued)

Short-term Leases

The Company made an accounting policy election not to apply the recognition requirements of ASC 842 to short-term leases, which are leases that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying assets that the lessee is reasonably certain to exercise.

Significant Judgments and Assumptions

The Company does not use any significant judgments or assumptions regarding the determination of whether a contract contains a lease; the allocation of the consideration in a contract between lease and nonlease components; or the determination of the discount rates for the leases. The following table presents the Company's total lease cost recognized in earnings, amounts capitalized as right-of-use assets and cash flows from lease transactions.

	Years Ended December 31	
	2022	2021
Lease Cost		
Finance lease cost:		
Amortization of right-of-use assets (1)	\$ 30,163	\$ 41,925
Interest on lease liabilities (2)	2,773	4,713
Operating lease cost (3)	4,498,894	4,896,315
Short-term lease cost (3)(4)	1,135,003	167,551
Sublease income (3)	(209,455)	(275,038)
Total lease cost	<u>\$ 5,457,378</u>	<u>\$ 4,835,466</u>
Other Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,250,630	\$ 4,697,819
Operating cash flows from finance leases	2,773	4,713
Financing cash flows from finance leases	31,685	42,184
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	\$ 2,054,534	\$ 5,216,048
Finance leases	-	-
Weighted-average remaining lease term (in years)		
Finance leases	1.25	2.07
Operating leases	3.46	6.04
Weighted-average discount rate		
Finance leases	5.78 %	5.74 %
Operating leases	4.50 %	4.14 %

(1) Included in Depreciation on property and equipment on the consolidated statements of earnings

(2) Included in Interest expense on the consolidated statements of earnings

(3) Included in Rent and rent related expenses on the consolidated statements of earnings

(4) Includes leases with a term of 12 months or less

**SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021**

24) Leases (Continued)

The following table presents the maturity analysis of the Company's lease liabilities.

	Finance Leases	Operating Leases
Lease payments due in:		
2023	\$ 27,220	\$ 3,929,227
2024	4,354	3,328,744
2025	692	2,166,880
2026	-	1,454,848
2027	-	340,112
Thereafter	-	324,548
Total undiscounted lease payments	32,266	11,544,359
Less: Discount on cash flows	(1,184)	(947,888)
Present value of lease liabilities	\$ 31,082	\$ 10,596,471

The following table presents the Company's right-of-use assets and lease liabilities.

		Year Ended December 31	
	Balance Sheet Location	2022	2021
Operating Leases			
Right-of-use assets	Other assets	\$ 9,987,699	\$ 12,483,638
Lease liabilities	Other liabilities and accrued expenses	\$ 10,596,471	\$ 12,939,691
Finance Leases			
Right-of-use assets		\$ 228,221	\$ 235,867
Accumulated amortization		(200,178)	(177,660)
Right-of-use assets, net	Property and equipment, net	\$ 28,043	\$ 58,207
Lease liabilities	Bank and other loans payable	\$ 31,082	\$ 62,767

The Company is also a lessor and has operating lease agreements with various tenants that lease its commercial and residential properties. See Note 2 for information about the Company's real estate held for investment.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

(a) Management's annual report on internal control over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process that is designed 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 ("GAAP"), and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company,
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors of the Company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 based on the framework in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether the Company's internal control over financial reporting was effective as of December 31, 2022. Based on that assessment management believes that at December 31, 2022, the Company's internal control over financial reporting was effective.

This annual report on internal control over financial reporting does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(b) Changes in internal control over financial reporting.

There was no change in the Company's internal control over financial reporting that occurred in the fourth quarter 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable

PART III

Items 10, 11, 12, 13 and 14.

The information required by these items is incorporated by reference to the Company's definitive proxy statement relating to its 2023 Annual Meeting of Shareholders. The Company currently anticipates that its definitive proxy statement will be filed with the SEC not later than 120 days after December 31, 2022, pursuant to Regulation 14A of the Securities and Exchange Act of 1934, as amended.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

See "Index to Consolidated Financial Statements" under Item 8 above.

(a)(2) Financial Statement Schedules

IV. Reinsurance

V. Valuation and Qualifying Accounts

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)(3) Exhibits

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

- | | |
|---------|--|
| 3.1 | Amended and Restated Articles of Incorporation (4) |
| 3.2 | Amended and Restated Bylaws (6) |
| 4.1 | Specimen Class A Stock Certificate (1) |
| 4.2 | Specimen Class C Stock Certificate (1) |
| 4.3 | Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1) |
| 10.1 | Employee Stock Ownership Plan, as amended and restated (ESOP) and Trust Agreement (1) |
| 10.2 | Amended and Restated 2013 Stock Option and Other Equity Incentive Awards Plan (3) |
| 10.3 | Amended and Restated 2014 Director Stock Option Plan (7) |
| 10.4 | Employment Agreement with Scott M. Quist (2) |
| 10.5 | Stock Repurchase Plan (5) |
| 14 | Code of Business Conduct and Ethics (6) |
| 21 | Subsidiaries of the Registrant |
| 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 Registration Statement on Form S-1, as filed on June 29, 1987 |
| (2) | Incorporated by reference from Report on Form 10-Q, as filed on November 13, 2015 |
| (3) | Incorporated by reference from Report on Form 10-Q, as filed on August 15, 2016 |
| (4) | Incorporated by reference from Report on Form 10-K, as filed on March 31, 2017 |
| (5) | Incorporated by reference from Report on Form 10-Q, as filed on November 13, 2018 |
| (6) | Incorporated by reference from Report on Form 10-Q, as filed on May 15, 2019 |
| (7) | Incorporated by reference from Report on Form 10-Q, as filed on August 14, 2020 |

Item 16. Form 10-K Summary

Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: March 31, 2023

SECURITY NATIONAL FINANCIAL CORPORATION

By: /s/ Scott M. Quist

Scott M. Quist

Chairman of the Board, President, and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ Scott M. Quist	Chairman of the Board, President, and Chief Executive	
Scott M. Quist	Officer (Principal Executive Officer)	March 31, 2023
/s/ Garrett S. Sill	Chief Financial Officer and Treasurer	
Garrett S. Sill	(Principal Financial and Accounting Officer)	March 31, 2023
/s/ Jason G. Overbaugh	Vice President and Director	March 31, 2023
Jason G. Overbaugh		
/s/ S. Andrew Quist	Vice President and Director	March 31, 2023
S. Andrew Quist		
/s/ Adam G. Quist	Vice President and Director	March 31, 2023
Adam G. Quist		
/s/ John L. Cook	Director	March 31, 2023
John L. Cook		
/s/ Gilbert A. Fuller	Director	March 31, 2023
Gilbert A. Fuller		
/s/ Robert G. Hunter	Director	March 31, 2023
Robert G. Hunter		
/s/ Ludmya B. Love	Director	March 31, 2023
Ludmya B. Love		
/s/ Shital A. Mehta	Director	March 31, 2023
Shital A. Mehta		
/s/ H. Craig Moody	Director	March 31, 2023
H. Craig Moody		

Schedule IV
SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Reinsurance

	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
<u>2022</u>					
Life Insurance in force (\$000)	\$ 2,741,183	\$ 346,749	\$ 124,774	\$ 2,519,208	5.0 %
Premiums:					
Life Insurance	\$ 105,697,658	\$ 2,004,925	\$ 766,529	\$ 104,459,262	0.7 %
Accident and Health Insurance	542,370	-	8	542,378	0.0 %
Total premiums	\$ 106,240,028	\$ 2,004,925	\$ 766,537	\$ 105,001,640	0.7 %
<u>2021</u>					
Life Insurance in force (\$000)	\$ 2,734,592	\$ 364,471	\$ 129,166	\$ 2,499,287	5.2 %
Premiums:					
Life Insurance	\$ 101,448,883	\$ 2,074,552	\$ 527,702	\$ 99,902,033	0.5 %
Accident and Health Insurance	352,528	-	12	352,540	0.0 %
Total premiums	\$ 101,801,411	\$ 2,074,552	\$ 527,714	\$ 100,254,573	0.5 %

122

Schedule V
SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Valuation and Qualifying Accounts

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions Disposals and Write-offs	Other Items and Reclassifications	Balance at End of Year
<u>For the Year Ended December 31, 2022</u>					
Accumulated depreciation on real estate held for investment	\$ 17,692,038	\$ 6,101,166	\$ -	\$ -	\$ 23,793,204
Allowance for losses on mortgage loans held for investment	1,699,902	270,409	-	-	1,970,311
Accumulated depreciation on property and equipment	19,814,110	2,496,906	(8,776,960)	-	13,534,056
Allowance for doubtful accounts on receivables	1,800,725	171,998	(370,820)	627,888	2,229,791
Allowance for doubtful accounts on other investments	1,686,218	889,480	(965,747)	-	1,609,951
<u>For the Year Ended December 31, 2021</u>					
Accumulated depreciation on real estate held for investment	\$ 13,800,973	\$ 3,605,059	\$ (246,068)	\$ 532,074	\$ 17,692,038
Allowance for losses on mortgage loans held for investment	2,005,127	(305,225)	-	-	1,699,902
Accumulated depreciation on property and equipment	19,179,139	1,935,613	(742,252)	(558,390)	19,814,110
Allowance for doubtful accounts on receivables	1,685,382	327,905	(212,562)	-	1,800,725
Allowance for doubtful accounts on other investments	1,645,475	943,055	(902,312)	-	1,686,218

123

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2023

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.
 Dry Creek Property Development, 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
 SNA Venture LLC
 SNA-MB LLC
 SNA-SE LLC
 SNA-SW LLC
 SNA-MV LLC
 SNA-TM LLC
 SNA-TR LLC
 SNA-TR2 LLC
 SNA-AM LLC
 SNA-DM LLC
 SNA-SR LLC
 SNA-WL2 LLC

Life Insurance Segment

Security National Life Insurance Company
 Reppond Holding Company
 First Guaranty Insurance Company
 Kilpatrick Life Insurance Company
 Kilpatrick Financial, Inc.
 Southern Security Life Insurance Company, Inc.
 Trans-Western Life Insurance Company
 SN Farmington LLC
 434 Holdings LLC
 5300 Development 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

SNA-Venture LLC

SNCH Venture LLC

SNA-AM LLC, SNA-MB LLC, SNA-MV LLC, SNA-SE LLC, SNA-SW LLC, SNA-TM LLC, SNA-WF LLC

Mortgage Segment

SecurityNational Mortgage Company

EverLEND Mortgage Company

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.

SN Silver Creek LLC

Memorial Mortuary, Inc.

Affordable Funerals and Cremations of America, Inc.

SN Probst 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

SN-Rivera LLC, SNR-LA LLC, SNR-Taos LLC, SNR-SF Cemetery LLC, SNR-SF Mortuary LLC, SNR-Espanola 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-K of Security National Financial Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

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

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

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

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

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

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

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

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

Dated: March 31, 2023 March 29, 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-K of Security National Financial Corporation;

2. Based on my knowledge, this annual 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 annual report;

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

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

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

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

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

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

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

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

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

Dated: **March 31, 2023** March 29, 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 Annual Report of Security National Financial Corporation (the "Company") on Form 10-K for the period ending **December 31, 2022** December 31, 2023, 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, 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 and belief:

- (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: **March 31, 2023** March 29, 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 Annual Report of Security National Financial Corporation (the "Company") on Form 10-K for the period ending **December 31, 2022** December 31, 2023, 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, 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 and belief:

- (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: **March 31, 2023** March 29, 2024

/s/ Garrett S. Sill

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

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.