

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2025

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-09341

SECURITY NATIONAL FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

UTAH

(State or other jurisdiction of incorporation or organization)

87-0345941

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

433 Ascension Way, 6th Floor, Salt Lake City, Utah

(Address of principal executive offices)

84123

(Zip Code)

(801) 264-1060

(Registrant's telephone number, including area code)

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

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

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

Yes No

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

Yes No

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

Large accelerated filer

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

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

Yes No

As of May 12, 2025, the registrant had 21,324,826 shares of Class A Common Stock, \$2.00 par value, outstanding and 3,417,170 shares of Class C Common Stock, \$2.00 par value, outstanding.

**SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q**

QUARTER ENDED MARCH 31, 2025

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

Part I - Financial Information

Item 1. Financial Statements.

	March 31, 2025	December 31, 2024
Assets		
Investments:		
Fixed maturity securities, available for sale, at estimated fair value (amortized cost of \$376,903,025 and \$376,012,071 for 2025 and 2024, respectively; net of allowance for credit losses of \$507,300 and \$420,993 for 2025 and 2024, respectively)	\$ 371,212,032	\$ 366,546,129
Equity securities at estimated fair value (cost of \$11,548,300 and \$11,386,454 for 2025 and 2024, respectively)	15,973,782	15,771,681
Mortgage loans held for investment (net of allowance for credit losses of \$2,008,592 and \$1,885,390 for 2025 and 2024, respectively)	319,445,281	301,747,358
Real estate held for investment (net of accumulated depreciation of \$32,853,123 and \$31,419,539 for 2025 and 2024, respectively)	202,629,726	197,693,338
Real estate held for sale	2,713,040	1,278,033
Other investments and policy loans (net of allowance for credit losses of \$1,517,783 and \$1,536,926 for 2025 and 2024, respectively)	76,545,918	74,855,041
Accrued investment income	9,574,599	8,499,168
Total investments	998,094,378	966,390,748
Cash and cash equivalents	132,946,068	140,546,421
Loans held for sale at estimated fair value	139,834,226	131,181,148
Receivables (net of allowance for credit losses of \$1,632,099 and \$1,678,531 for 2025 and 2024, respectively)	15,943,962	15,858,743
Restricted assets (including \$12,910,825 and \$12,323,535 for 2025 and 2024 respectively, at estimated fair value)	27,722,898	23,806,836
Cemetery perpetual care trust investments (including \$5,841,653 and \$5,689,706 for 2025 and 2024, respectively, at estimated fair value)	9,038,179	8,836,503
Receivable from reinsurers	13,791,025	13,831,093
Cemetery land and improvements	10,545,468	10,594,632
Deferred policy and pre-need contract acquisition costs	123,527,455	122,661,298
Mortgage servicing rights, net	2,839,548	2,939,878
Property and equipment, net	18,811,490	19,047,688
Value of business acquired	7,380,231	7,491,600
Goodwill	5,253,783	5,253,783
Other	18,521,619	21,366,843
Total Assets	\$ 1,524,250,330	\$ 1,489,807,214

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

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

	March 31, 2025	December 31, 2024
Liabilities and Stockholders' Equity		
Liabilities		
Future policy benefits and unpaid claims	\$ 953,000,823	\$ 944,811,843
Unearned premium reserve	1,966,308	2,011,679
Bank and other loans payable	122,823,346	106,740,104
Deferred pre-need cemetery and mortuary contract revenues	20,910,047	20,168,405
Cemetery perpetual care obligation	5,704,613	5,642,693
Accounts payable	4,982,820	2,937,293
Other liabilities and accrued expenses	53,258,611	55,633,661
Income taxes	15,110,076	13,079,257
Total liabilities	1,177,756,644	1,151,024,935
Stockholders' Equity		
Preferred Stock - non-voting - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Class A: common stock - \$2.00 par value; 40,000,000 shares authorized; 21,321,739 shares issued and outstanding as of March 31, 2025 and 21,255,006 shares issued and outstanding as of December 31, 2024	42,643,478	42,510,012
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; 3,417,170 shares issued and outstanding as of March 31, 2025 and 3,321,833 shares issued and outstanding as of December 31, 2024	6,834,340	6,643,666
Additional paid-in capital	80,004,637	79,698,367
Accumulated other comprehensive loss, net of taxes	(3,953,654)	(6,951,266)
Retained earnings	229,697,478	225,359,186
Treasury stock at cost - 1,037,568 Class A shares and 99,623 Class C shares as of March 31, 2025; and 1,025,784 Class A shares and 99,623 Class C shares as of December 31, 2024	(8,732,593)	(8,477,686)
Total stockholders' equity	346,493,686	338,782,279
Total Liabilities and Stockholders' Equity	\$ 1,524,250,330	\$ 1,489,807,214

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

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

	Three Months Ended March 31,	
	2025	2024
Revenues:		
Mortgage fee income	\$ 24,809,241	\$ 21,831,670
Insurance premiums and other considerations	29,779,525	29,852,093
Net investment income	19,202,624	19,946,568
Net mortuary and cemetery sales	7,300,221	6,948,491
Gains on investments and other assets	586,021	1,669,426
Other	1,062,091	939,950
Total revenues	<u>82,739,723</u>	<u>81,188,198</u>
Benefits and expenses:		
Death benefits	16,045,465	15,713,753
Surrenders and other policy benefits	1,201,555	1,215,793
Increase in future policy benefits	8,988,057	9,345,887
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	4,696,535	4,743,913
Selling, general and administrative expenses:		
Commissions	10,438,381	7,981,217
Personnel	22,182,408	19,855,135
Advertising	823,945	687,655
Rent and rent related	988,611	1,401,477
Depreciation on property and equipment	615,135	587,449
Costs related to funding mortgage loans	1,415,252	1,449,095
Other	7,400,687	6,285,910
Interest expense	1,119,528	1,027,474
Cost of goods and services sold-mortuaries and cemeteries	1,253,270	1,274,129
Total benefits and expenses	<u>77,168,829</u>	<u>71,568,887</u>
Earnings before income taxes	5,570,894	9,619,311
Income tax expense	(1,232,602)	(2,144,789)
Net earnings	<u>\$ 4,338,292</u>	<u>\$ 7,474,522</u>
Net earnings per Class A Equivalent common share (1)	<u>\$ 0.18</u>	<u>\$ 0.32</u>
Net earnings per Class A Equivalent common share-assuming dilution (1)	<u>\$ 0.18</u>	<u>\$ 0.31</u>
Weighted-average Class A equivalent common shares outstanding (1)	<u>23,521,451</u>	<u>23,325,136</u>
Weighted-average Class A equivalent common shares outstanding-assuming dilution (1)	<u>24,466,443</u>	<u>24,087,806</u>

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

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

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

	Three Months Ended March 31,	
	2025	2024
Net earnings	\$ 4,338,292	\$ 7,474,522
Other comprehensive income:		
Unrealized gains (losses) on fixed maturity securities available for sale	\$ 3,788,729	(1,131,650)
Unrealized gains (losses) on restricted assets (1)	4,288	(1,890)
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	2,815	(774)
Other comprehensive income (loss), before income tax	3,795,832	(1,134,314)
Income tax (expense) benefit	(798,220)	239,216
Other comprehensive income (loss), net of income tax	2,997,612	(895,098)
Comprehensive income	\$ 7,335,904	\$ 6,579,424

(1) Fixed maturity securities available for sale

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

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

	Three Months Ended March 31, 2025						
	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
December 31, 2024	\$42,510,012	\$ 6,643,666	\$79,698,367	\$ (6,951,266)	\$225,359,186	\$(8,477,686)	\$338,782,279
Net earnings	-	-	-	-	4,338,292	-	4,338,292
Other comprehensive income	-	-	-	2,997,612	-	-	2,997,612
Stock-based compensation expense	-	-	309,260	-	-	-	309,260
Exercise of stock options	132,546	190,674	(92,965)	-	-	(149,009)	81,246
Vesting of restricted stock units	920	-	(920)	-	-	-	-
Sale of treasury stock	-	-	90,895	-	-	136,367	227,262
Purchase of treasury stock	-	-	-	-	-	(242,265)	(242,265)
March 31, 2025	<u>\$42,643,478</u>	<u>\$ 6,834,340</u>	<u>\$80,004,637</u>	<u>\$ (3,953,654)</u>	<u>\$229,697,478</u>	<u>\$(8,732,593)</u>	<u>\$346,493,686</u>
	Three Months Ended March 31, 2024						
	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
December 31, 2023	\$40,096,004	\$ 5,943,708	\$72,424,429	\$ (6,885,558)	\$206,978,373	\$(5,661,737)	\$312,895,219
Net earnings	-	-	-	-	7,474,522	-	7,474,522
Other comprehensive loss	-	-	-	(895,098)	-	-	(895,098)
Stock-based compensation expense	-	-	199,887	-	-	-	199,887
Vesting of restricted stock units	810	-	(810)	-	-	-	-
Sale of treasury stock	-	-	103,788	-	-	366,733	470,521
Purchase of treasury stock	-	-	-	-	-	(41,077)	(41,077)
Conversion Class C to Class A	348	(348)	-	-	-	-	-
March 31, 2024	<u>\$40,097,162</u>	<u>\$ 5,943,360</u>	<u>\$72,727,294</u>	<u>\$ (7,780,656)</u>	<u>\$214,452,895</u>	<u>\$(5,336,081)</u>	<u>\$320,103,974</u>

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

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net cash provided by operating activities	\$ 9,585,902	\$ 25,077,244
Cash flows from investing activities:		
Purchases of fixed maturity securities	(28,292,634)	(6,670,277)
Sales, calls and maturities of fixed maturity securities	26,374,371	11,440,209
Purchases of equity securities	(1,114,187)	(2,038,459)
Sales of equity securities	1,085,712	1,412,118
Purchases of restricted assets	(933,673)	(643,531)
Sales, calls and maturities of restricted assets	96,874	178,350
Purchases of cemetery perpetual care trust investments	(26,565)	(46,725)
Sales, calls and maturities of perpetual care trust investments	859,715	54,601
Mortgage loans held for investment, other investments and policy loans made	(217,905,832)	(166,160,908)
Payments received for mortgage loans held for investment, other investments and policy loans	198,431,585	175,017,132
Purchases of property and equipment	(441,530)	(256,155)
Sales of property and equipment	1,200	71,469
Purchases of real estate	(16,643,207)	(17,740,755)
Sales of real estate	9,241,645	7,082,265
Net cash provided by (used in) investing activities	(29,266,526)	1,699,334
Cash flows from financing activities:		
Investment contract receipts	3,065,288	3,237,207
Investment contract withdrawals	(4,097,396)	(4,105,463)
Proceeds from stock options exercised	81,246	-
Purchases of treasury stock	(242,265)	(41,077)
Repayment of bank loans	(504,009)	(470,652)
Net change in warehouse line borrowings for loans held for sale	16,567,385	(769,236)
Net cash provided by (used in) financing activities	14,870,249	(2,149,221)
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	(4,810,375)	24,627,357
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	150,102,620	139,923,399
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 145,292,245	\$ 164,550,756
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 1,098,086	\$ 1,022,460
Income taxes (net of refunds)	-	-
Non Cash Operating, Investing and Financing Activities:		
Transfer from fixed maturity securities available for sale to other investments	\$ 1,185,603	\$ -
Right-of-use assets obtained in exchange for operating lease liabilities	436,109	479,462
Benefit plans funded with treasury stock	227,262	470,521
Loans held for sale foreclosed into real estate held for sale	-	858,977
Transfer of loans held for sale to mortgage loans held for investment	-	1,867,552

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

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

	March 31, 2025	March 31, 2024
Cash and cash equivalents	\$ 132,946,068	\$ 150,930,786
Restricted assets	11,455,091	10,598,384
Cemetery perpetual care trust investments	891,086	3,021,586
Total cash, cash equivalents, restricted cash and restricted cash equivalents	<u>\$ 145,292,245</u>	<u>\$ 164,550,756</u>

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Articles 8 and 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto for the year ended December 31, 2024, included in the Company's Annual Report on Form 10-K (File Number 000-09341). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025.

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

Material estimates that are particularly susceptible to significant changes in the near term are those used in determining the value of derivative assets and liabilities; those used in determining deferred acquisition costs and the value of business acquired; those used in determining the liability for future policy benefits; those used in determining the value of loans held for sale; and those used in determining loan loss reserve. Although some variability is inherent in these estimates, management believes the amounts provided are fairly stated in all material respects.

2) Recent Accounting Pronouncements

Accounting Standards Issued But Not Yet Adopted

ASU No. 2018-12: “Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts”— Issued in August 2018, ASU 2018-12 is intended to improve the timeliness of recognizing changes in the liability for future policy benefits on traditional long-duration contracts by requiring that assumptions be updated after contract inception and by modifying the rate used to discount future cash flows. The standard is aimed at improving the accounting for certain market-based options or guarantees associated with deposit or account balance contracts, simplifying amortization of deferred acquisition costs while improving and expanding required disclosures. In November 2020, ASU No. 2020-11: “Financial Services – Insurance (Topic 944): Effective Date and Early Application,” was issued. This ASU was issued to provide additional time for the implementation of ASU No. 2018-12 by deferring the effective date by one year. For smaller reporting companies, this update is effective for annual reporting periods beginning after December 15, 2024, and interim reporting periods beginning after December 15, 2025. The Company will adopt the standard commencing with its annual reporting period ending December 31, 2025. The Company is nearing completion of its analysis and implementation of the new standard, including the identification of cohorts, system updates, and design. The Company has engaged its team of actuaries, accountants, and systems specialists and consulted external system providers as part of the implementation. The adoption of this guidance is expected to have an impact on its financial position, results of operations, and disclosures, as well as systems, processes and controls. The Company continues to evaluate the impact of the new guidance on its consolidated financial statements.

ASU No. 2023-09: “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”— Issued in December 2023, ASU 2023-09 requires that public business entities, on an annual basis: (i) disclose specific categories in the rate reconciliation and (ii) provide additional information for reconciling items that meet a quantitative threshold. In addition, the amendments in this update require that all entities disclose on an annual basis the following information about income taxes paid: (i) the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and (ii) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). ASU 2023-09 is effective for the Company for the annual reporting periods beginning January 1, 2025. The Company will adopt the standard commencing with its annual reporting period ending December 31, 2025. The Company does not anticipate that the adoption of ASU 2023-09 will have a material impact on the consolidated financial statements.

ASU No. 2024-03: “Income Statement-Reporting Comprehensive Income- Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses”— Issued in November 2024, ASU 2024-03 requires public business entities to disclose, in the notes to the consolidated financial statements, specified information about certain expenses at each interim and annual reporting period. ASU 2024-03 requires disclosures about specific types of expenses (i.e., (a) purchases of inventory, (b) employee compensation, (c) depreciation and (d) intangible asset amortization) included in the expense captions presented on the face of the statement of earnings as well as disclosures about selling expenses. ASU 2024-03 does not change the requirements for the presentation of expenses on the statement of earnings. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Accordingly, the Company will adopt the standard commencing with its annual reporting period ending December 31, 2027. The Company is in the process of estimating the potential impact of the new guidance on the consolidated financial statements.

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments

The Company's investments as of March 31, 2025 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Allowance for Credit Losses	Estimated Fair Value
<u>March 31, 2025:</u>					
Fixed maturity securities, available for sale, at estimated fair value:					
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 67,730,345	\$ 168,247	\$ (369,412)	\$ -	\$ 67,529,180
Obligations of states and political subdivisions	3,554,218	12,021	(216,520)	-	3,349,719
Corporate securities including public utilities	278,660,923	4,042,114	(5,058,561)	(495,251)	277,149,225
Mortgage-backed securities	26,707,539	99,349	(3,860,931)	(12,049)	22,933,908
Redeemable preferred stock	250,000	-	-	-	250,000
Total fixed maturity securities available for sale	<u>\$ 376,903,025</u>	<u>\$ 4,321,731</u>	<u>\$ (9,505,424)</u>	<u>\$ (507,300)</u>	<u>\$ 371,212,032</u>
Equity securities at estimated fair value:					
Common stock:					
Industrial, miscellaneous and all other	\$ 11,548,300	\$ 4,887,671	\$ (462,189)		\$ 15,973,782
Total equity securities at estimated fair value	<u>\$ 11,548,300</u>	<u>\$ 4,887,671</u>	<u>\$ (462,189)</u>		<u>\$ 15,973,782</u>
Mortgage loans held for investment at amortized cost:					
Residential	\$ 93,910,555				
Residential construction	169,877,471				
Commercial	60,191,978				
Less: Unamortized deferred loan fees, net	(2,251,280)				
Less: Allowance for credit losses	(2,008,592)				
Less: Net discounts	(274,851)				
Total mortgage loans held for investment	<u>\$ 319,445,281</u>				
Real estate held for investment - net of accumulated depreciation:					
Residential	\$ 77,755,199				
Commercial	124,874,527				
Total real estate held for investment	<u>\$ 202,629,726</u>				
Real estate held for sale:					
Residential	\$ 2,561,487				
Commercial	151,553				
Total real estate held for sale	<u>\$ 2,713,040</u>				
Other investments and policy loans at amortized cost:					
Policy loans	\$ 14,183,492				
Insurance assignments	50,727,040				
Federal Home Loan Bank stock (2)	630,200				
Other investments	12,522,969				
Less: Allowance for credit losses for insurance assignments	(1,517,783)				
Total other investments and policy loans	<u>\$ 76,545,918</u>				
Accrued investment income	<u>\$ 9,574,599</u>				
Total investments	<u>\$ 998,094,378</u>				

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

(2) Includes \$580,700 of Membership stock and \$49,500 of Activity stock attributable to short-term borrowings and letters of credit.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

The Company's investments as of December 31, 2024 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Allowance for Credit Losses	Estimated Fair Value
<u>December 31, 2024:</u>					
Fixed maturity securities, available for sale, at estimated fair value:					
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 74,680,606	\$ 327,618	\$ (486,976)	\$ -	\$ 74,521,248
Obligations of states and political subdivisions	6,416,751	1,762	(290,448)	-	6,128,065
Corporate securities including public utilities	262,954,278	2,444,842	(6,922,871)	(408,944)	258,067,305
Mortgage-backed securities	31,710,436	125,764	(4,244,640)	(12,049)	27,579,511
Redeemable preferred stock	250,000	-	-	-	250,000
Total fixed maturity securities available for sale	<u>\$ 376,012,071</u>	<u>\$ 2,899,986</u>	<u>\$ (11,944,935)</u>	<u>\$ (420,993)</u>	<u>\$ 366,546,129</u>
Equity securities at estimated fair value:					
Common stock:					
Industrial, miscellaneous and all other	\$ 11,386,454	\$ 4,976,567	\$ (591,340)		\$ 15,771,681
Total equity securities at estimated fair value	<u>\$ 11,386,454</u>	<u>\$ 4,976,567</u>	<u>\$ (591,340)</u>		<u>\$ 15,771,681</u>
Mortgage loans held for investment at amortized cost:					
Residential	\$ 92,061,787				
Residential construction	151,172,733				
Commercial	62,753,085				
Less: Unamortized deferred loan fees, net	(2,082,241)				
Less: Allowance for credit losses	(1,885,390)				
Less: Net discounts	(272,616)				
Total mortgage loans held for investment	<u>\$ 301,747,358</u>				
Real estate held for investment - net of accumulated depreciation:					
Residential	\$ 71,618,410				
Commercial	126,074,928				
Total real estate held for investment	<u>\$ 197,693,338</u>				
Real estate held for sale:					
Residential	\$ 1,126,480				
Commercial	151,553				
Total real estate held for sale	<u>\$ 1,278,033</u>				
Other investments and policy loans at amortized cost:					
Policy loans	\$ 14,019,248				
Insurance assignments	48,493,858				
Federal Home Loan Bank stock (2)	2,404,900				
Other investments	11,473,961				
Less: Allowance for credit losses for insurance assignments	(1,536,926)				
Total policy loans and other investments	<u>\$ 74,855,041</u>				
Accrued investment income	<u>\$ 8,499,168</u>				
Total investments	\$ 966,390,748				

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

(2) Includes \$553,900 of Membership stock and \$1,851,000 of Activity stock due to short-term advances and letters of credit.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

There were no investments in fixed maturity securities or equity securities, aggregated by issuer, of more than 10% of shareholders' equity (before net unrealized gains and losses on equity securities and fixed maturity securities) as of March 31, 2025, other than investments issued or guaranteed by the United States Government.

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of March 31, 2025 and December 31, 2024. The fair values of fixed maturity securities are based on quoted market prices, when available. For fixed maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting expected future cash flows using a current market value applicable to the coupon rate, credit and maturity of the investments. The table below sets forth unrealized losses by duration with the fair value of the related fixed maturity securities.

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Combined Fair Value
<u>March 31, 2025</u>						
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 17,078	\$ 4,202,295	\$ 352,334	\$ 12,890,048	\$ 369,412	\$ 17,092,343
Obligations of states and political subdivisions	7,192	192,808	209,328	2,211,591	216,520	2,404,399
Corporate securities	810,597	63,857,548	4,247,964	79,610,636	5,058,561	143,468,184
Mortgage-backed securities	4,946	220,459	3,855,985	18,098,828	3,860,931	18,319,287
Totals	<u>\$ 839,813</u>	<u>\$68,473,110</u>	<u>\$ 8,665,611</u>	<u>\$112,811,103</u>	<u>\$ 9,505,424</u>	<u>\$181,284,213</u>
<u>December 31, 2024</u>						
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 8,737	\$ 986,365	\$ 478,239	\$ 22,110,495	\$ 486,976	\$ 23,096,860
Obligations of states and political subdivisions	15,003	2,167,918	275,445	3,008,385	290,448	5,176,303
Corporate securities including public utilities	1,888,022	93,562,219	5,034,849	77,975,776	6,922,871	171,537,995
Mortgage-backed securities	32,150	2,915,192	4,212,490	19,041,442	4,244,640	21,956,634
Totals	<u>\$1,943,912</u>	<u>\$99,631,694</u>	<u>\$10,001,023</u>	<u>\$122,136,098</u>	<u>\$11,944,935</u>	<u>\$221,767,792</u>

Relevant holdings were comprised of 585 securities with fair values aggregating 95.0% of the aggregate amortized cost as of March 31, 2025, compared to 706 securities with fair values aggregating 94.9% of the aggregate amortized cost as of December 31, 2024. A credit loss provision of \$86,307 and of \$96,000 have been recognized for the three month periods ended March 31, 2025 and 2024, respectively. Credit losses are included in gains (losses) on investments and other assets on the condensed consolidated statements of earnings. Other unrealized losses for which no credit loss was recognized are primarily the result of increases in interest rates.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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March 31, 2025 (Unaudited)

3) Investments (Continued)

Evaluation of Allowance for Credit Losses

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

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

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

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

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

The Company does not calculate a credit loss allowance on accrued interest income, included in accrued investment income on the condensed consolidated balance sheets, as the Company writes off any accrued interest income to net investment income if the accrued but unpaid amount exceeds 90 days.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

Credit Quality Indicators

Based on the NAIC securities designations, the Company had 98.2% and 97.7% of its fixed maturity securities rated investment grade as of March 31, 2025 and December 31, 2024, respectively. The following table summarizes the credit quality, by NAIC designation, of the Company's fixed maturity securities available for sale, excluding redeemable preferred stock.

NAIC Designation	March 31, 2025		December 31, 2024	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
1	\$ 187,879,097	\$ 184,522,723	\$ 188,386,980	\$ 183,460,027
2	181,586,910	179,966,189	178,060,265	174,405,442
3	5,831,758	5,343,171	7,961,422	7,342,220
4	648,713	630,362	649,592	600,459
5	705,397	499,587	702,643	487,981
6	1,150	-	1,169	-
Total	\$ 376,653,025	\$ 370,962,032	\$ 375,762,071	\$ 366,296,129

The following tables present a roll forward of the Company's allowance for credit losses on fixed maturity securities available for sale for the three month periods ended March 31, 2025 and 2024:

	Three Months Ended March 31, 2025					Total
	U.S. Treasury securities and obligations of U.S. Government agencies	Obligations of states and political subdivisions	Corporate securities including public utilities	Mortgage-backed securities		
Beginning balance - December 31, 2024	\$ -	\$ -	\$ 408,944	\$ 12,049	\$ -	\$ 420,993
Additions for credit losses not previously recorded	-	-	72,000	-	-	72,000
Change in allowance on securities with previous allowance	-	-	14,437	-	-	14,437
Reductions for securities sold during the period	-	-	-	-	-	-
Reductions for securities with credit losses due to intent to sell	-	-	-	-	-	-
Write-offs charged against the allowance	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	(130)	-	-	(130)
Ending Balance - March 31, 2025	\$ -	\$ -	\$ 495,251	\$ 12,049	\$ -	\$ 507,300

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March 31, 2025 (Unaudited)

3) Investments (Continued)

	Three Months Ended March 31, 2024				
	U.S. Treasury securities and obligations of U.S. Government agencies	Obligations of states and political subdivisions	Corporate securities including public utilities	Mortgage- backed securities	Total
Beginning balance - December 31, 2023	\$ -	\$ -	\$ 308,500	\$ 6,049	\$ 314,549
Additions for credit losses not previously recorded	-	-	30,000	-	30,000
Change in allowance on securities with previous allowance	-	-	60,000	6,000	66,000
Reductions for securities sold during the period	-	-	-	-	-
Reductions for securities with credit losses due to intent to sell	-	-	-	-	-
Write-offs charged against the allowance	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Ending Balance - March 31, 2024	\$ -	\$ -	\$ 398,500	\$ 12,049	\$ 410,549

The table below presents the amortized cost and the estimated fair value of fixed maturity securities available for sale as of March 31, 2025, by contractual maturity. Actual or expected maturities may differ from contractual maturities because certain securities afford the issuer the right to call or prepay its obligations.

	Amortized Cost	Estimated Fair Value
Due in 1 year	\$ 22,159,707	\$ 22,003,935
Due in 2-5 years	71,242,437	70,452,145
Due in 5-10 years	135,956,272	135,838,014
Due in more than 10 years	120,587,070	119,734,030
Mortgage-backed securities	26,707,539	22,933,908
Redeemable preferred stock	250,000	250,000
Total	\$ 376,903,025	\$ 371,212,032

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

	Three Months Ended March 31,	
	2025	2024
Proceeds from sales	\$ 3,224,848	\$ 179,989
Gross realized gains	526	303
Gross realized losses	(40,504)	(854)

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

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

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

	As of March 31, 2025	As of December 31, 2024
Fixed maturity securities available for sale at estimated fair value	\$ 6,183,996	\$ 6,126,589
Other investments	424,543	400,000
Cash and cash equivalents	1,456,924	1,444,654
Total assets on deposit	<u>\$ 8,065,463</u>	<u>\$ 7,971,243</u>

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

	As of March 31, 2025	As of December 31, 2024
Fixed maturity securities available for sale at estimated fair value	\$ 25,814,271	\$ 25,309,270
Cash and cash equivalents	4,766,926	4,417,683
Total assets on deposit	<u>\$ 30,581,197</u>	<u>\$ 29,726,953</u>

The Company is a member of the Federal Home Loan Bank of Des Moines and Dallas (“FHLB”). Assets pledged as collateral with the FHLB are presented below. These pledged securities are used as collateral for any FHLB cash advances.

	As of March 31, 2025	As of December 31, 2024
Fixed maturity securities available for sale at estimated fair value	\$ 52,791,611	\$ 63,800,454

Real Estate Held for Investment and Held for Sale

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

Commercial Real Estate Held for Investment and Held for Sale

The Company owns, invests in and manages commercial real estate as a means of both generating investment income and providing workspace for its employees. This asset class is acquired in accordance with the Company’s goals and objectives for risk-adjusted returns. Due diligence is conducted on each asset using internal and third-party resources. The geographic locations and asset sub-classes of investments are determined by senior management under the direction of the Board of Directors.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

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

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

The aggregate net book value of commercial real estate serving as collateral for bank loans was \$118,658,948 and \$119,889,846 as of March 31, 2025 and December 31, 2024, respectively. The associated bank loan carrying values totaled \$95,542,882 and \$96,007,488 as of March 31, 2025 and December 31, 2024, respectively.

During the three month periods ended March 31, 2025 and 2024, the Company did not record any impairment losses on commercial real estate held for investment or held for sale. Impairment losses, if any, are included in gains (losses) on investment and other assets on the condensed consolidated statements of earnings.

During the three month periods ended March 31, 2025 and 2024, the Company recorded depreciation expense on commercial real estate held for investment of \$1,422,016 and \$1,527,793, respectively. Commercial real estate held for investment is stated at cost and is depreciated over the estimated useful life, primarily using the straight-line method. Depreciation is included in net investment income on the consolidated statements of earnings.

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

	Net Book Value		Total Square Footage	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Utah (1)	\$ 124,856,106	\$ 126,056,342	546,941	546,941
Louisiana	18,421	18,586	1,622	1,622
	<u>\$ 124,874,527</u>	<u>\$ 126,074,928</u>	<u>548,563</u>	<u>548,563</u>

(1) Includes Center53

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

	Net Book Value	
	March 31, 2025	December 31, 2024
Mississippi (1)	\$ 151,553	\$ 151,553
	<u>\$ 151,553</u>	<u>\$ 151,553</u>

(1) Consists of approximately 93 acres of undeveloped land

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

Commercial Real Estate Owned and Occupied by the Company.

The primary business units of the Company occupy a portion of the real estate owned by the Company. As of March 31, 2025, real estate owned and occupied by the Company is summarized as follows:

Location	Business Segment	Approximate Square Footage	Square Footage Occupied by the Company
433 Ascension Way, Floors 4, 5 and 6, Salt Lake City, UT - Center53 Building 2 (1)	Corporate Offices, Life Insurance, Cemetery/Mortuary Operations, and Mortgage Operations and Sales	216,865	50%
1818 Marshall Street, Shreveport, LA (2)	Life Insurance Operations	12,274	100%
812 Sheppard Street, Minden, LA (2) (3)	Life Insurance Sales	1,560	100%

(1) Included in real estate held for investment on the condensed consolidated balance sheets

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

(3) Listed for sale

Residential Real Estate Held for Investment and Held for Sale

The Company occasionally acquires residential homes through the mortgage loan foreclosure process. The Company has the option to sell these properties or to continue to hold them for expected cash flow and price appreciation. The Company also looks for opportunities to acquire land that can be developed into single family lots. Once developed, finished lots are sold to builder partners and others.

During the three month periods ended March 31, 2025 and 2024 the Company did not record any impairment losses on residential real estate held for sale or held for investment. Impairment losses, if any, are included in gains (losses) on investment and other assets on the condensed consolidated statements of earnings.

During the three month periods ended March 31, 2025 and 2024, the Company recorded depreciation expense on residential real estate held for investment of \$2,676 and \$2,653, respectively. Residential real estate held for investment is stated at cost and is depreciated over the estimated useful life, primarily using the straight-line method. Depreciation is included in net investment income on the consolidated statements of earnings.

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

	Net Book Value	
	March 31, 2025	December 31, 2024
Utah (1)	\$ 77,755,198	\$ 71,618,410
	<u>\$ 77,755,198</u>	<u>\$ 71,618,410</u>

(1) Includes multiple residential subdivision development projects, refer to the following table.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

The Company also invests in residential subdivision developments. The following table presents additional information regarding the Company's residential subdivision development projects in Utah:

	March 31, 2025	December 31, 2024
Lots developed	245	231
Lots to be developed	1,034	1,046
Book Value	\$ 79,689,307	\$ 71,443,356

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

	Net Book Value	
	March 31, 2025	December 31, 2024
Utah	\$ 2,561,487(1)	\$ 849,900
Florida	-	276,580
	\$ 2,561,487	\$ 1,126,480

(1) Includes a residential subdivision development project for \$2,106,487

The net book value of foreclosed residential real estate included in residential real estate held for sale was \$455,000 and \$1,126,480 as of March 31, 2025 and December 31, 2024, respectively.

Mortgage Loans Held for Investment

Mortgage loans held for investment consist of first and second mortgages and are generally classified in three distinct group: Commercial, Residential and Residential Construction. These mortgage loans bear interest at rates ranging from 2.0% to 10.5%, maturity dates range from nine months to 30 years and have amortization periods of 0 to 30 years.

Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential mortgages, commercial loans and residential construction loans and requires collateral on all real estate exposures, a substantial portion of the relevant debtors' ability to honor obligations is dependent upon the economic stability of the geographic region in which the debtors do business or are employed. As of March 31, 2025, the Company had 59%, 8%, 7%, 4% and 4%, of its mortgage loans from borrowers located in the states of Utah, Florida, Arizona, Texas, and California, respectively. As of December 31, 2024, the Company had 56%, 8%, 9% and 6% of its mortgage loans from borrowers located in the states of Utah, Florida, Arizona, and Texas, respectively.

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

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

3) Investments (Continued)

Evaluation of Allowance for Credit Losses

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

Once a mortgage loan is past due 90 days, it is the policy of the Company to end the accrual of interest income on the loan and reverse any interest income that had been accrued. Given this policy, the Company does not measure a credit loss allowance on accrued interest receivable. Accrued interest receivable is included in accrued investment income on the condensed consolidated balance sheets. Payments received for mortgage loans on a non-accrual status are recognized when received. The interest income recognized from payments received for mortgage loans on a non-accrual status was immaterial. Accrual of interest resumes if a mortgage loan is brought current. Interest not accrued on these loans totaled approximately \$259,000 and \$244,000 as of March 31, 2025 and December 31, 2024, respectively.

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

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

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

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

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

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

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

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

The Company advances funds in accordance with the loan agreements once the work has been completed and an independent inspection is made. The maximum loan commitment ranges between 50% and 85% of appraised value. The Company receives fees and interest for these loans and the interest rate is generally fixed at 5.25% to 8.50% per annum. Maturities range between six and eighteen months. The Company has commitments to fund existing construction and land development loans pursuant to the various loan agreements. As of March 31, 2025, the Company’s commitments were approximately \$239,187,000 for these loans, of which \$172,110,015 had been drawn.

Residential construction mortgage loans are evaluated for credit loss by considering historical activity and current housing market trends to arrive at a per loan basis point allowance that is recognized at loan origination and for subsequent draws. The per loan basis point is reviewed at least annually or as loan losses or market trends require.

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

	Three Months Ended			
	Commercial	Residential	Residential Construction	Total
Beginning balance - December 31, 2024	\$ 732,494	\$ 850,550	\$ 302,346	\$ 1,885,390
Change in provision for credit losses (1)	289,236	(203,443)	37,409	123,202
Charge-offs	-	-	-	-
Ending balance - March 31, 2025	<u>\$ 1,021,730</u>	<u>\$ 647,107</u>	<u>\$ 339,755</u>	<u>\$ 2,008,592</u>
Beginning balance - December 31, 2023	\$ 1,219,653	\$ 2,390,894	\$ 208,106	\$ 3,818,653
Change in provision for credit losses (1)	(360,031)	(528,399)	(8,609)	(897,039)
Charge-offs	-	-	-	-
Ending balance - March 31, 2024	<u>\$ 859,622</u>	<u>\$ 1,862,495</u>	<u>\$ 199,497</u>	<u>\$ 2,921,614</u>

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

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

	Commercial	Residential	Residential Construction	Total
March 31, 2025				
30-59 days past due	\$ -	\$ 3,745,815	\$ -	\$ 3,745,815
60-89 days past due	-	1,142,421	-	1,142,421
Over 90 days past due (1)	3,196,505	1,481,040	-	4,677,545
In process of foreclosure (1)	191,508	2,818,740	-	3,010,248
Total past due	3,388,013	9,188,016	-	12,576,029
Current	56,803,965	84,722,539	169,877,471	311,403,975
Total mortgage loans	60,191,978	93,910,555	169,877,471	323,980,004
Allowance for credit losses	(1,021,730)	(647,107)	(339,755)	(2,008,592)
Unamortized deferred loan fees, net	(195,628)	(1,344,145)	(711,507)	(2,251,280)
Unamortized discounts, net	(152,972)	(121,879)	-	(274,851)
Net mortgage loans held for investment	\$ 58,821,648	\$ 91,797,424	\$ 168,826,209	\$ 319,445,281
December 31, 2024				
30-59 days past due	\$ 2,100,000	\$ 5,818,334	\$ -	\$ 7,918,334
60-89 days past due	-	845,980	-	845,980
Over 90 days past due (1)	4,205,000	3,061,450	-	7,266,450
In process of foreclosure (1)	191,508	3,942,392	-	4,133,900
Total past due	6,496,508	13,668,156	-	20,164,664
Current	56,256,577	78,393,631	151,172,733	285,822,941
Total mortgage loans	62,753,085	92,061,787	151,172,733	305,987,605
Allowance for credit losses	(732,494)	(850,550)	(302,346)	(1,885,390)
Unamortized deferred loan fees, net	(115,555)	(1,307,539)	(659,147)	(2,082,241)
Unamortized discounts, net	(149,268)	(123,348)	-	(272,616)
Net mortgage loans held for investment	\$ 61,755,768	\$ 89,780,350	\$ 150,211,240	\$ 301,747,358

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

Credit Quality Indicators

The Company evaluates and monitors the credit quality of its commercial loans by analyzing LTV and DSCR. Monitoring a commercial mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment.

The aggregate unpaid principal balance of commercial mortgage loans by credit quality indicator and origination year was as follows as of March 31, 2025:

Credit Quality Indicator	2025	2024	2023	2022	2021	Prior	Total	% of Total
<u>LTV:</u>								
Less than 65%	\$ 4,135,000	\$ 3,893,127	\$20,100,000	\$1,352,150	\$ 851,019	\$8,692,062	\$39,023,358	64.83%
65% to 80%	7,675,000	10,432,942	1,840,776	823,397	-	-	20,772,115	34.51%
Greater than 80%	-	-	-	-	396,505	-	396,505	0.66%
Total	\$11,810,000	\$14,326,069	\$21,940,776	\$2,175,547	\$1,247,524	\$8,692,062	\$60,191,978	100.00%
<u>DSCR</u>								
>1.20x	\$ 1,500,000	\$13,893,127	\$16,490,000	\$ -	\$ -	\$5,382,415	\$37,265,542	61.91%
1.00x - 1.20x	10,310,000	432,942	5,450,776	2,175,547	1,247,524	3,309,647	22,926,436	38.09%
<1.00x	-	-	-	-	-	-	-	0.00%
Total	\$11,810,000	\$14,326,069	\$21,940,776	\$2,175,547	\$1,247,524	\$8,692,062	\$60,191,978	100.00%

The aggregate unpaid principal balance of commercial mortgage loans by credit quality indicator and origination year was as follows as of December 31, 2024:

Credit Quality Indicator	2024	2023	2022	2021	2020	Prior	Total	% of Total
<u>LTV:</u>								
Less than 65%	\$ 7,653,600	\$24,600,000	\$2,352,150	\$ 864,128	\$ -	\$8,867,779	\$44,337,657	70.65%
65% to 80%	10,432,942	1,840,776	823,397	-	4,913,313	-	18,010,428	28.70%
Greater than 80%	-	-	-	405,000	-	-	405,000	0.65%
Total	\$18,086,542	\$26,440,776	\$3,175,547	\$1,269,128	\$4,913,313	\$8,867,779	\$62,753,085	100.00%
<u>DSCR</u>								
>1.20x	\$16,300,000	\$20,990,000	\$1,000,000	\$ -	\$4,913,313	\$5,414,274	\$48,617,587	77.47%
1.00x - 1.20x	432,942	5,450,776	2,175,547	1,269,128	-	3,453,505	12,781,898	20.37%
<1.00x	1,353,600	-	-	-	-	-	1,353,600	2.16%
Total	\$18,086,542	\$26,440,776	\$3,175,547	\$1,269,128	\$4,913,313	\$8,867,779	\$62,753,085	100.00%

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

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

The aggregate unpaid principal balance of residential mortgage loans by credit quality indicator and origination year was as follows as of March 31, 2025:

Credit Quality Indicator	2025	2024	2023	2022	2021	Prior	Total	% of Total
<u>Performance</u>								
<u>Indicators:</u>								
Performing	\$4,704,914	\$13,891,863	\$10,790,191	\$42,397,698	\$3,353,866	\$14,472,243	\$89,610,775	95.42%
Non-performing (1)	-	-	2,501,101	794,108	-	1,004,571	4,299,780	4.58%
Total	<u>\$4,704,914</u>	<u>\$13,891,863</u>	<u>\$13,291,292</u>	<u>\$43,191,806</u>	<u>\$3,353,866</u>	<u>\$15,476,814</u>	<u>\$93,910,555</u>	<u>100.00%</u>

(1) Includes residential mortgage loans in the process of foreclosure of \$2,818,740

<u>LTV:</u>								
Less than 65%	\$ 256,928	\$ 5,654,269	\$ 4,874,062	\$ 5,567,007	\$1,783,406	\$ 7,251,737	\$25,387,409	27.03%
65% to 80%	4,007,350	7,423,674	7,537,730	35,601,976	1,570,460	7,479,051	63,620,241	67.75%
Greater than 80%	440,636	813,920	879,500	2,022,823	-	746,026	4,902,905	5.22%
Total	<u>\$4,704,914</u>	<u>\$13,891,863</u>	<u>\$13,291,292</u>	<u>\$43,191,806</u>	<u>\$3,353,866</u>	<u>\$15,476,814</u>	<u>\$93,910,555</u>	<u>100.00%</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

The aggregate unpaid principal balance of residential mortgage loans by credit quality indicator and origination year was as follows as of December 31, 2024:

Credit Quality Indicator	2024	2023	2022	2021	2020	Prior	Total	% of Total
<u>Performance</u>								
<u>Indicators:</u>								
Performing	\$14,861,098	\$10,030,848	\$42,634,670	\$3,076,901	\$5,513,462	\$ 8,940,966	\$85,057,945	92.39%
Non-performing (1)	-	3,442,992	1,451,039	291,359	311,116	1,507,336	7,003,842	7.61%
Total	<u>\$14,861,098</u>	<u>\$13,473,840</u>	<u>\$44,085,709</u>	<u>\$3,368,260</u>	<u>\$5,824,578</u>	<u>\$10,448,302</u>	<u>\$92,061,787</u>	<u>100.00%</u>

(1) Includes residential mortgage loans in the process of foreclosure of \$3,942,392

<u>LTV:</u>								
Less than 65%	\$ 6,241,730	\$ 4,931,376	\$ 5,488,954	\$1,790,036	\$2,440,002	\$ 5,273,672	\$26,165,770	28.42%
65% to 80%	7,802,984	7,662,200	37,509,634	1,578,224	2,701,008	5,107,289	62,361,339	67.74%
Greater than 80%	816,384	880,264	1,087,121	-	683,568	67,341	3,534,678	3.84%
Total	<u>\$14,861,098</u>	<u>\$13,473,840</u>	<u>\$44,085,709</u>	<u>\$3,368,260</u>	<u>\$5,824,578</u>	<u>\$10,448,302</u>	<u>\$92,061,787</u>	<u>100.00%</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

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

The aggregate unpaid principal balance of residential construction mortgage loans by credit quality indicator and origination year was as follows as of March 31, 2025:

Credit Quality Indicator	2025	2024	2023	2022	2021	Total	% of Total
Performance Indicators:							
Performing	\$35,926,520	\$109,676,549	\$13,869,615	\$209,290	\$10,195,497	\$169,877,471	100.00%
Non-performing	-	-	-	-	-	-	0.00%
Total	\$35,926,520	\$109,676,549	\$13,869,615	\$209,290	\$10,195,497	\$169,877,471	100.00%
LTV:							
Less than 65%	\$ 8,882,430	\$ 44,804,033	\$13,869,615	\$209,290	\$10,195,497	\$ 77,960,865	45.89%
65% to 80%	26,680,356	64,872,516	-	-	-	91,552,872	53.89%
Greater than 80%	363,734	-	-	-	-	363,734	0.21%
Total	\$35,926,520	\$109,676,549	\$13,869,615	\$209,290	\$10,195,497	\$169,877,471	100.00%

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

Credit Quality Indicator	2024	2023	2022	2021	Total	% of Total
Performance Indicators:						
Performing	\$ 118,863,944	\$ 21,375,552	\$ 972,468	\$ 9,960,769	\$ 151,172,733	100.00%
Non-performing	-	-	-	-	-	0.00%
Total	\$ 118,863,944	\$ 21,375,552	\$ 972,468	\$ 9,960,769	\$ 151,172,733	100.00%
LTV:						
Less than 65%	\$ 48,065,177	\$ 21,375,552	\$ 518,590	\$ 9,960,769	\$ 79,920,088	52.87%
65% to 80%	70,798,767	-	453,878	-	71,252,645	47.13%
Greater than 80%	-	-	-	-	-	0.00%
Total	\$ 118,863,944	\$ 21,375,552	\$ 972,468	\$ 9,960,769	\$ 151,172,733	100.00%

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

Insurance Assignments

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

	As of March 31, 2025	As of December 31, 2024
30-59 days past due	\$ 11,138,384	\$ 8,785,184
60-89 days past due	4,436,355	4,046,731
Over 90 days past due	5,375,708	5,320,216
Total past due	<u>20,950,447</u>	<u>18,152,131</u>
Current	29,776,593	30,341,727
Total insurance assignments	<u>50,727,040</u>	<u>48,493,858</u>
Allowance for credit losses	<u>(1,517,783)</u>	<u>(1,536,926)</u>
Net insurance assignments	<u>\$ 49,209,257</u>	<u>\$ 46,956,932</u>

The Company records an allowance for credit losses when the insurance assignment is funded. Once an insurance assignment moves to 90 days past due or legal proceedings, it is monitored for write-off and collectability, and any adjustments to the allowance are recorded at that time.

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

	Three Months Ended
Beginning balance - December 31, 2024	\$ 1,536,926
Change in provision for credit losses (1)	293,798
Charge-offs	(312,941)
Ending balance - March 31, 2025	<u>\$ 1,517,783</u>
Beginning balance - December 31, 2023	\$ 1,553,836
Change in provision for credit losses (1)	250,567
Charge-offs	(216,878)
Ending balance - March 31, 2024	<u>\$ 1,587,525</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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March 31, 2025 (Unaudited)

3) Investments (Continued)

Investment Related Earnings

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

	Three Months Ended March 31,	
	2025	2024
Fixed maturity securities:		
Gross realized gains	\$ 1,068	\$ 303
Gross realized losses	(42,286)	(854)
Net credit loss provision	(86,307)	(96,000)
Equity securities:		
Gains (losses) on securities sold	114,127	(61,103)
Unrealized gains on securities held at the end of the period	273,477	1,542,863
Real estate held for investment and sale:		
Gross realized gains	394,525	249,960
Gross realized losses	-	-
Other assets:		
Gross realized gains	6,525	35,486
Gross realized losses	(75,108)	(1,229)
Total	\$ 586,021	\$ 1,669,426

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

Net realized gains and losses includes gains and losses from cemetery perpetual care trust investments and the restricted assets of cemeteries and mortuaries and totaled \$213,979 and \$582,172 in net gains for the three month periods ended March 31, 2025 and 2024, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

3) Investments (Continued)

Major categories of net investment income were as follows:

	Three Months Ended March 31,	
	2025	2024
Fixed maturity securities available for sale	\$ 4,664,833	\$ 4,403,558
Equity securities	192,631	168,148
Mortgage loans held for investment	7,964,539	8,814,036
Real estate held for investment and sale	2,959,711	3,515,061
Policy loans	244,605	301,267
Insurance assignments	5,732,150	5,076,549
Other investments	161,486	198,959
Cash and cash equivalents	1,402,636	1,690,957
Gross investment income	23,322,591	24,168,535
Investment expenses	(4,119,967)	(4,221,967)
Net investment income	<u>\$ 19,202,624</u>	<u>\$ 19,946,568</u>

Net investment income includes income earned from cemetery perpetual care trust investments and the restricted assets of cemeteries and mortuaries and totaled \$146,838 and \$933,551 for the three month periods ended March 31, 2025 and 2024, respectively.

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

Accrued Investment Income

Accrued investment income consists of the following:

	As of March 31,	As of December 31,
	2025	2024
Fixed maturity securities available for sale	\$ 4,368,511	\$ 3,795,581
Equity securities	13,258	11,049
Mortgage loans held for investment	956,485	1,049,489
Real estate held for investment	4,146,465	3,559,463
Other investments	4,667	-
Cash and cash equivalents	85,213	83,586
Total accrued investment income	<u>\$ 9,574,599</u>	<u>\$ 8,499,168</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

4) Loans Held for Sale

The Company's loans held for sale portfolio is valued using the fair value option. Changes in the fair value of the loans are included in mortgage fee income. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on recognition of mortgage loan interest income and is included in mortgage fee income on the condensed consolidated statement of earnings. See Note 8 to the condensed consolidated financial statements for additional disclosures regarding loans held for sale.

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

	As of March 31, 2025	As of December 31, 2024
Aggregate fair value	\$ 139,834,226	\$ 131,181,148
Unpaid principal balance	136,957,745	128,948,072
Unrealized gain	2,876,481	2,233,076

Mortgage Fee Income

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

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

	Three Months Ended March 31,	
	2025	2024
Loan fees	\$ 5,254,090	\$ 5,520,465
Interest income	1,667,434	1,482,819
Secondary gains	16,954,943	14,730,974
Change in fair value of loan commitments	474,540	561,778
Change in fair value of loans held for sale	641,268	(300,890)
Provision for loan loss reserve	(183,034)	(163,476)
Mortgage fee income	<u>\$ 24,809,241</u>	<u>\$ 21,831,670</u>

Loan Loss Reserve

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

4) Loans Held for Sale (Continued)

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

	As of March 31, 2025	As of December 31, 2024
Balance, beginning of period	\$ 696,626	\$ 547,233
Provision on current loan originations (1)	183,034	932,154
Charge-offs, net of recaptured amounts	(177,769)	(782,761)
Balance, end of period	<u>\$ 701,891</u>	<u>\$ 696,626</u>

(1) Included in mortgage fee income

The Company maintains reserves for estimated losses on current production volumes. For the three month periods ended March 31, 2025 and 2024, \$183,034 and \$163,476 in reserves, respectively, were added at a rate of 3.5 basis points per loan, the equivalent of \$350 per \$1,000,000 in loans originated. The Company monitors market data and trends and, economic conditions (including forecasts), and uses its own experience to determine adequate loss reserves on current production.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

5) Stock Compensation Plans

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

Stock Options

Stock based compensation expense for stock options issued of \$299,272 and \$198,998 has been recognized for these plans for the three month periods ended March 31, 2025 and 2024, respectively, and is included in personnel expenses on the condensed consolidated statements of earnings. As of March 31, 2025, the total unrecognized compensation expense related to the options issued was \$873,138 which is expected to be recognized over the remaining vesting period.

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

The activity of the stock option plans during the three month period ended March 31, 2025, is summarized as follows:

	Number of Class A Shares	Weighted Average Exercise Price (2)	Number of Class C Shares	Weighted Average Exercise Price (2)
Outstanding at December 31, 2024	646,594	\$ 5.93	1,724,400	\$ 7.23
Granted	24,000		-	
Exercised	(112,735)		(113,023)	
Cancelled	-		-	
Outstanding at March 31, 2025	<u>557,859</u>	\$ 6.24	<u>1,611,377</u>	\$ 7.50
As of March 31, 2025:				
Options exercisable	<u>501,834</u>	\$ 5.51	<u>1,363,881</u>	\$ 6.47
As of March 31, 2025:				
Available options for future grant	<u>53,718</u>		<u>146,238</u>	
Weighted average contractual term of options outstanding at March 31, 2025				
	5.38 years		6.64 years	
Weighted average contractual term of options exercisable at March 31, 2025				
	5.02 years		6.16 years	
Aggregated intrinsic value of options outstanding at March 31, 2025 (1)				
	<u>\$ 3,269,071</u>		<u>\$ 7,406,757</u>	
Aggregated intrinsic value of options exercisable at March 31, 2025 (1)				
	<u>\$ 3,305,118</u>		<u>\$ 7,676,614</u>	

(1) The Company used a stock price of \$12.10 as of March 31, 2025 to derive intrinsic value.

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
March 31, 2025 (Unaudited)

5) Stock Compensation Plans (Continued)

The activity of the stock option plans during the three month period ended March 31, 2024, is summarized as follows:

	Number of Class A Shares	Weighted Average Exercise Price (2)	Number of Class C Shares	Weighted Average Exercise Price
Outstanding at December 31, 2023	833,570	\$ 5.22	1,520,062	\$ 5.86
Granted	16,500		-	
Exercised	-		-	
Cancelled	-		-	
Outstanding at March 31, 2024	<u>850,070</u>	\$ 5.29	<u>1,520,062</u>	\$ 5.86
As of March 31, 2024:				
Options exercisable	<u>765,695</u>	\$ 4.97	<u>1,291,312</u>	\$ 5.47
As of March 31, 2024:				
Available options for future grant	<u>76,320</u>		<u>529,750</u>	
Weighted average contractual term of options outstanding at March 31, 2024				
	5.00 years		6.25 years	
Weighted average contractual term of options exercisable at March 31, 2024				
	4.57 years		5.83 years	
Aggregated intrinsic value of options outstanding at March 31, 2024 (1)				
	<u>\$ 2,230,953</u>		<u>\$ 3,108,691</u>	
Aggregated intrinsic value of options exercisable at March 31, 2024 (1)				
	<u>\$ 2,246,543</u>		<u>\$ 3,146,491</u>	

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

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

The total intrinsic value (which is the amount by which the fair value of the underlying stock exceeds the exercise price of an option on the exercise date) of stock options exercised during the three month periods ended March 31, 2025 and 2024 was \$1,357,776 and nil, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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March 31, 2025 (Unaudited)

5) Stock Compensation Plans (Continued)

Restricted Stock Units (“RSUs”)

Stock based compensation expense for RSUs issued of \$9,988 and \$889 has been recognized under these plans for the three month periods ended March 31, 2025 and 2024, respectively, and is included in personnel expenses on the condensed consolidated statements of earnings. The fair value of each RSU granted is determined by the Company’s stock price on the date of the grant. As of March 31, 2025, the total unrecognized compensation expense related to the RSUs issued was \$27,311, which is expected to be recognized over the remaining vesting period.

Activity of the RSUs during the three month period ended March 31, 2025, is summarized as follows:

	Number of Class A Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2024	12,813	\$ 12.90
Granted	-	
Vested	(460)	
Non-vested at March 31, 2025	<u>12,353</u>	\$ 13.08
Available RSUs for future grant	<u>4,187</u>	

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

	Number of Class A Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2023	2,245	\$ 7.72
Granted	-	
Vested	(405)	
Non-vested at March 31, 2024	<u>1,840</u>	\$ 7.99
Available RSUs for future grant	<u>16,540</u>	

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6) Earnings Per Share

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

	Three Months Ended March 31,	
	2025	2024
Numerator:		
Net earnings	\$ 4,338,292	\$ 7,474,522
Denominator:		
Basic weighted-average shares outstanding	23,521,451	23,325,136
Effect of dilutive securities:		
Employee stock options	944,992	762,670
Diluted weighted-average shares outstanding	24,466,443	24,087,806
Basic net earnings per share	\$ 0.18	\$ 0.32
Diluted net earnings per share	\$ 0.18	\$ 0.31

For the three month periods ended March 31, 2025 and 2024, there were 382,700 and 467,125 anti-dilutive stock option shares, respectively, that were not included in the computation of diluted net earnings per common share as their effect would be anti-dilutive. Basic and diluted earnings per share amounts are the same for each class of common stock.

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

	Class A	Class C
Outstanding shares at December 31, 2024	21,255,006	3,321,833
Exercise of stock options	66,273	95,337
Vesting of restricted stock units	460	-
Outstanding shares at March 31, 2025	21,321,739	3,417,170
Outstanding shares at December 31, 2023 (1)	21,052,883	3,120,432
Vesting of restricted stock units	405	-
Conversion of Class C to Class A	174	(174)
Outstanding shares at March 31, 2024 (1)	21,053,462	3,120,258

(1) Adjusted retroactively for the effect of annual stock dividends

7) Business Segment Information

Description of Products and Services by Segment

The Company has three operating and reportable business segments: life insurance, cemetery and mortuary, and mortgage. The Company's life insurance segment's revenue consists of life insurance premiums, fees earned on factored life insurance policies and net investment income derived from investing policyholder and surplus funds. Its expenses include operating expenses to collect insurance premiums and insurance policy receivables, and administer claims, and commissions payable related to the sale of insurance products sold by the Company's independent agency force. The Company's cemetery and mortuary segment's revenue consists of fees from the sale of at-need cemetery and mortuary merchandise, 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 surplus cash. Its expenses include operating expenses to maintain mortuary and cemetery operations and commissions related to the sale of insurance products sold by the Company's agents. The Company's mortgage segment's revenue consists of residential mortgage origination fee income and mortgage interest income. Its expenses include normal operating expenses related to the origination and sale of residential mortgage loans, loan servicing and warehouse interest and fee expenses.

Services and Cost Sharing Policies

The accounting policies of the Company's operating and reportable segments are the same as those described in Part II, Item 8, Note 1 - Significant Accounting Policies of the Company's Annual Report on Form 10-K for the year ended December 31, 2024. Intersegment revenues are recorded at cost plus an agreed upon intercompany profit and are eliminated upon consolidation. In addition to revenues, the reportable segments share in business services and costs including personnel expenses, rent, information technology, software, interest expense, and other similar operating costs. These shared services and costs are allocated between the segments using prevailing market rates and other agreed upon allocation methods.

Factors Management Used to Identify the Company's Operating and Reportable Segments

The Company's operating and 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.

Chief Operating Decision Maker ("CODM")

The Company's CODM is the Chief Executive Officer. The following table summarizes significant segment expenses. The significant expenses are based on the information that the CODM is regularly provided to assess segment performance. The CODM reviews the regularly provided information for each segment monthly and gives added emphasis on month over month and year over year comparative results. The CODM considers these comparative results when making decisions about the allocation of the Company's resources to each segment. The measure of segment profit or loss for the Company's three operating and reportable business segments is net earnings.

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7) Business Segment Information (Continued)

	For the Three Months Ended March 31, 2025			
	Life Insurance	Cemetery/ Mortuary	Mortgage	Total
Revenues:				
From external sources:				
Revenue from external customers	\$ 29,779,525	\$ 7,300,221	\$ 24,809,241	\$ 61,888,987
Net investment income	18,630,945	421,253	150,426	19,202,624
Gains on investments and other assets	290,534	209,970	85,517	586,021
Other revenues	585,598	187,850	288,643	1,062,091
Intersegment revenues	1,319,923	83,836	121,868	1,525,627
Total segment revenues	<u>50,606,525</u>	<u>8,203,130</u>	<u>25,455,695</u>	<u>84,265,350</u>
Elimination of intersegment revenues				(1,525,627)
Total consolidated revenues				<u>82,739,723</u>
Less:				
Death benefits	16,045,465	-	-	
Surrenders and other policy benefits	1,201,555	-	-	
Increase in future policy benefits	8,988,057	-	-	
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	4,522,570	173,965	-	
Selling, general and administrative expenses:				
Commissions	862,343	208,420	9,367,618	
Personnel	8,526,188	2,538,026	11,118,194	
Advertising	99,976	151,609	572,360	
Rent and rent related	99,790	38,038	850,783	
Depreciation on property and equipment	242,812	212,361	159,962	
Cost related to funding mortgage loans	-	-	1,415,252	
Data processing and IT related (1)	235,788	70,526	878,110	
Premium taxes on insurance premiums and other considerations (1)	718,071	-	-	
Other segment items (1)(2)	2,624,538	1,231,210	1,642,444	
Intersegment expenses (3)	205,558	87,441	1,232,628	
Interest expense	906,447	163	212,918	
Costs of goods and services sold-mortuaries and cemeteries	-	1,253,270	-	
Income tax expense (benefit)	1,181,211	534,844	(483,453)	
Segment net earnings (loss)	<u>4,146,156</u>	<u>1,703,257</u>	<u>(1,511,121)</u>	<u>4,338,292</u>
Net earnings				<u>\$ 4,338,292</u>
Segment assets	<u>\$ 1,406,921,748</u>	<u>\$ 108,399,058</u>	<u>\$ 100,755,930</u>	<u>\$ 1,616,076,736</u>
Elimination of intersegment assets				(91,826,406)
Total consolidated assets				<u>\$ 1,524,250,330</u>
Expenditures for long-lived assets	<u>\$ 16,717,670</u>	<u>\$ 257,933</u>	<u>\$ 109,134</u>	<u>\$ 17,084,737</u>

(1) Included in other expenses on the condensed consolidated statements of earnings. Data processing and IT related expenses includes various software subscriptions, maintenance, consulting, support and storage fees.

(2) For each reportable segment, other segment items includes:

Life Insurance - bad debt, insurance expenses, professional service expenses, state insurance department fees, amortization of intangible assets, and certain overhead expenses.

Cemetery/Mortuary - bad debt, insurance expenses, professional service expenses, maintenance and utility expenses, property taxes, amortization of intangible assets, and certain overhead expenses.

Mortgage - bad debt, insurance expenses, professional service expenses, business license and registration fees, dues and subscriptions, amortization expense of mortgage servicing rights, and certain overhead expenses.

(3) For each reportable segment, intersegment expenses includes:

Life Insurance - mortgage servicing fees and interest expense.

Cemetery/Mortuary - rent expense, data processing and IT related expenses, and interest expense.

Mortgage - rent expense and interest expense.

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7) Business Segment Information (Continued)

	For the Three Months Ended March 31, 2024			
	Life Insurance	Cemetery/ Mortuary	Mortgage	Total
Revenues:				
From external sources:				
Revenue from external customers	\$ 29,852,093	\$ 6,948,491	\$ 21,831,670	\$ 58,632,254
Net investment income	18,612,363	1,084,192	250,013	19,946,568
Gains (losses) on investments and other assets	1,088,493	582,162	(1,229)	1,669,426
Other revenues	417,686	172,733	349,531	939,950
Intersegment revenues	1,379,575	84,768	146,606	1,610,949
Total segment revenues	51,350,210	8,872,346	22,576,591	82,799,147
Elimination of intersegment revenues				(1,610,949)
Total consolidated revenues				81,188,198
Less:				
Death benefits	15,713,753	-	-	
Surrenders and other policy benefits	1,215,793	-	-	
Increase in future policy benefits	9,345,887	-	-	
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	4,509,432	234,481	-	
Selling, general and administrative expenses:				
Commissions	406,498	231,785	7,342,934	
Personnel	7,231,308	2,309,726	10,314,101	
Advertising	107,496	127,677	452,482	
Rent and rent related	106,560	40,281	1,254,636	
Depreciation on property and equipment	224,077	206,605	156,767	
Cost related to funding mortgage loans	-	-	1,449,095	
Data processing and IT related (1)	206,299	66,800	952,222	
Premium taxes on insurance premiums and other considerations (1)	760,959	-	-	
Other segment items (1)(2)	1,830,106	1,233,177	1,236,347	
Intersegment expenses (3)	231,374	94,024	1,285,551	
Interest expense	931,159	240	96,075	
Costs of goods and services sold-mortuaries and cemeteries	-	1,274,129	-	
Income tax expense (benefit)	1,817,069	786,854	(459,134)	
Segment net earnings (loss)	6,712,440	2,266,567	(1,504,485)	7,474,522
Net earnings				\$ 7,474,522
Segment assets	\$ 1,341,500,414	\$ 99,346,510	\$ 94,563,032	\$ 1,535,409,956
Elimination of intersegment assets				(94,161,443)
Total consolidated assets				\$ 1,441,248,513
Expenditures for long-lived assets	\$ 17,835,137	\$ 140,367	\$ 21,406	\$ 17,996,910

(1) Included in other expenses on the condensed consolidated statements of earnings. Data processing and IT related expenses includes various software subscriptions, maintenance, consulting, support and storage fees.

(2) For each reportable segment, other segment items includes:

Life Insurance - bad debt, insurance expenses, professional service expenses, state insurance department fees, amortization of intangible assets, and certain overhead expenses.

Cemetery/Mortuary - bad debt, insurance expenses, professional service expenses, maintenance and utility expenses, property taxes, amortization of intangible assets, and certain overhead expenses.

Mortgage - bad debt, insurance expenses, professional service expenses, business license and registration fees, dues and subscriptions, amortization expense of mortgage servicing rights, and certain overhead expenses.

(3) For each reportable segment, intersegment expenses includes:

Life Insurance - mortgage servicing fees and interest expense.

Cemetery/Mortuary - rent expense, data processing and IT related expenses, and interest expense.

Mortgage - rent expense and interest expense.

8) Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

8) Fair Value of Financial Instruments (Continued)

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. Fair value is often difficult to determine in volatile markets and may contain significant unobservable inputs.

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

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

Impaired Mortgage Loans Held for Investment: The Company believes that the fair value of these nonperforming loans will approximate the unpaid principal balance expected to be recovered based on the fair value of the underlying collateral. For residential and commercial properties, the collateral value is estimated by obtaining an independent appraisal. The appraisal typically considers comparable sales in the area, property condition, and potential rental income that could be generated (particularly for commercial properties). For residential construction loans, the collateral is typically incomplete, so the 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: Fair value is generally determined by obtaining an independent appraisal, which typically considers area comparable properties and property condition. The Company believes that in an orderly market, fair value approximates the replacement cost of a home and will list for sale any foreclosed properties. In a disorderly market, the Company believes the highest and best use of the properties is as income producing assets and will 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, in addition to an appraisal, the fair value determination will generally be weighed more heavily toward the rental analysis.

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

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

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

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8) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the condensed consolidated balance sheet as of March 31, 2025:

	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	\$ 371,212,032	\$ -	\$ 370,061,728	\$ 1,150,304
Equity securities	15,973,782	15,973,782	-	-
Loans held for sale	139,834,226	-	-	139,834,226
Restricted assets (1)	2,352,472	-	2,352,472	-
Restricted assets (2)	10,558,353	10,558,353	-	-
Cemetery perpetual care trust investments (1)	769,914	-	769,914	-
Cemetery perpetual care trust investments (2)	5,071,739	5,071,739	-	-
Derivatives - loan commitments (3)	3,016,606	-	-	3,016,606
Total assets accounted for at fair value on a recurring basis	\$ 548,789,124	\$ 31,603,874	\$ 373,184,114	\$ 144,001,136
Liabilities accounted for at fair value on a recurring basis				
Derivatives - loan commitments (4)	(228,856)	-	-	(228,856)
Total liabilities accounted for at fair value on a recurring basis	\$ (228,856)	\$ -	\$ -	\$ (228,856)

(1) Fixed maturity securities available for sale

(2) Equity securities

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

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

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8) Fair Value of Financial Instruments (Continued)

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

	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	\$ 366,546,129	\$ -	\$ 365,396,203	\$ 1,149,926
Equity securities	15,771,681	15,771,681	-	-
Loans held for sale	131,181,148	-	-	131,181,148
Restricted assets (1)	2,351,369	-	2,351,369	-
Restricted assets (2)	9,972,166	9,972,166	-	-
Cemetery perpetual care trust investments (1)	769,662	-	769,662	-
Cemetery perpetual care trust investments (2)	4,920,044	4,920,044	-	-
Derivatives - loan commitments (3)	5,348,089	-	-	5,348,089
Total assets accounted for at fair value on a recurring basis	\$ 536,860,288	\$ 30,663,891	\$ 368,517,234	\$ 137,679,163
Liabilities accounted for at fair value on a recurring basis				
Derivatives - loan commitments (4)	\$ (3,034,879)	\$ -	\$ -	\$ (3,034,879)
Total liabilities accounted for at fair value on a recurring basis	\$ (3,034,879)	\$ -	\$ -	\$ (3,034,879)

(1) Fixed maturity securities available for sale

(2) Equity securities

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

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

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8) Fair Value of Financial Instruments (Continued)

For Level 3 assets and liabilities measured at fair value on a recurring basis as of March 31, 2025, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at March 31, 2025	Valuation Technique	Significant Unobservable Input(s)	Range of Inputs		Weighted Average
				Minimum Value	Maximum Value	
Loans held for sale	\$ 139,834,226	Market approach	Investor contract pricing as a percentage of unpaid principal balance	84.0%	110.0%	102.0%
Derivatives - loan commitments (net)	2,787,750	Market approach	Pull-through rate	65.0%	95.0%	82.0%
			Initial-Value	N/A	N/A	N/A
			Servicing	0 bps	241 bps	43 bps
Fixed maturity securities available for sale	1,150,304	Broker quotes	Pricing quotes	\$ 100.00	\$ 101.46	\$ 100.19

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

	Fair Value at December 31, 2024	Valuation Technique	Significant Unobservable Input(s)	Range of Inputs		Weighted Average
				Minimum Value	Maximum Value	
Loans held for sale	\$ 131,181,148	Market approach	Investor contract pricing as a percentage of unpaid principal balance	84.0%	109.0%	102.0%
Derivatives - loan commitments (net)	2,313,210	Market approach	Pull-through rate	63.0%	100.0%	83.0%
			Initial-Value	N/A	N/A	N/A
			Servicing	0 bps	242 bps	47 bps
Fixed maturity securities available for sale	1,149,926	Broker quotes	Pricing quotes	\$ 100.00	\$ 101.20	\$ 100.16

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8) Fair Value of Financial Instruments (Continued)

The following table is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs for the three month period ended March 31, 2025:

	Net Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2024	\$ 2,313,210	\$ 131,181,148	\$ 1,149,926
Originations and purchases	-	517,886,377	-
Sales, maturities and paydowns	-	(521,382,576)	-
Total gains (losses):			
Included in earnings	474,540(1)	12,149,277(1)	-(2)
Included in other comprehensive income	-	-	378
Balance - March 31, 2025	<u>\$ 2,787,750</u>	<u>\$ 139,834,226</u>	<u>\$ 1,150,304</u>

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

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

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

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

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

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

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8) Fair Value of Financial Instruments (Continued)

The Company did not have any financial assets and financial liabilities measured at fair value on a nonrecurring basis as of March 31, 2025 or as of December 31, 2024.

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.

The Company uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction as of March 31, 2025 and December 31, 2024.

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 March 31, 2025:

	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Estimated Fair Value</u>
Assets					
Mortgage loans held for investment					
Residential	\$ 91,797,424	\$ -	\$ -	\$ 92,626,433	\$ 92,626,433
Residential construction	168,826,209	-	-	168,826,209	168,826,209
Commercial	58,821,648	-	-	58,679,031	58,679,031
Mortgage loans held for investment, net	\$ 319,445,281	\$ -	\$ -	\$ 320,131,673	\$ 320,131,673
Policy loans	14,183,492	-	-	14,183,492	14,183,492
Insurance assignments, net (1)	49,209,257	-	-	49,209,257	49,209,257
Restricted assets (2)	1,035,160	-	-	1,035,160	1,035,160
Cemetery perpetual care trust investments (2)	1,194,905	-	-	1,194,905	1,194,905
Mortgage servicing rights, net	2,839,548	-	-	4,288,738	4,288,738
Liabilities					
Bank and other loans payable	\$ (122,823,346)	\$ -	\$ -	\$ (109,056,311)	\$ (109,056,311)
Policyholder account balances (3)	(36,925,691)	-	-	(36,981,073)	(36,981,073)
Future policy benefits - annuities (3)	(105,461,353)	-	-	(104,853,294)	(104,853,294)

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

(2)Mortgage loans held for investment

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

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8) Fair Value of Financial Instruments (Continued)

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

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans held for investment					
Residential	\$ 89,780,350	\$ -	\$ -	\$ 90,168,328	\$ 90,168,328
Residential construction	150,211,240	-	-	150,211,240	150,211,240
Commercial	61,755,768	-	-	60,864,775	60,864,775
Mortgage loans held for investment, net	\$ 301,747,358	\$ -	\$ -	\$ 301,244,343	\$ 301,244,343
Policy loans	14,019,248	-	-	14,019,248	14,019,248
Insurance assignments, net (1)	46,956,932	-	-	46,956,932	46,956,932
Restricted assets (2)	983,834	-	-	983,834	983,834
Cemetery perpetual care trust investments (2)	2,141,464	-	-	2,141,464	2,141,464
Mortgage servicing rights, net	2,939,878	-	-	4,552,316	4,552,316
Liabilities					
Bank and other loans payable	\$ (106,740,104)	\$ -	\$ -	\$ (90,455,678)	\$ (90,455,678)
Policyholder account balances (3)	(37,066,043)	-	-	(37,626,593)	(37,626,593)
Future policy benefits - annuities (3)	(105,716,087)	-	-	(104,611,544)	(104,611,544)

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

(2)Mortgage loans held for investment

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

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

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

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

Residential Construction – These loans primarily have short term maturities. Accordingly, the estimated fair value is determined to be the carrying value.

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

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

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

8) Fair Value of Financial Instruments (Continued)

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

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

9) Derivative Instruments

Mortgage Banking Derivatives

Loan Commitments

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

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

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

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9) Derivative Instruments (Continued)

Forward Sale Commitments

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

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

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

	Balance Sheet Location	March 31, 2025			December 31, 2024		
		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	\$ 202,283,530	\$ 3,016,606	\$ 228,856	\$ 210,597,657	\$ 5,348,089	\$ 3,034,879
Total		<u>\$ 202,283,530</u>	<u>\$ 3,016,606</u>	<u>\$ 228,856</u>	<u>\$ 210,597,657</u>	<u>\$ 5,348,089</u>	<u>\$ 3,034,879</u>

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

Derivative	Classification	Net Amount Gain Three Months Ended March 31,	
		2025	2024
Loan commitments	Mortgage fee income	\$ 474,540	\$ 561,778

10) Reinsurance, Commitments and Contingencies

Reinsurance

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

Mortgage Loan Loss Settlements

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

Debt Covenants for Mortgage Warehouse Lines of Credit

The Company, through its subsidiary SecurityNational Mortgage, has two lines of credit for the purpose of funding mortgage loans.

One of the lines of credit, with U.S. Bank, allows SecurityNational Mortgage to borrow up to \$15,000,000. The relevant agreement contemplates interest at 2.10% plus the greater of (i) 0%, and (ii) the one-month forward-looking term rate based on SOFR on drawn amounts and matures on June 20, 2025. The Company is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, and a minimum pre-tax loss below \$2.5 million for the quarter.

The Company's other line of credit, with Western Alliance Bank, allows SecurityNational Mortgage to borrow up to \$25,000,000. The relevant agreement contemplates interest at the 1-Month SOFR rate plus 2.0% on drawn amounts and matures on August 27, 2025. The Company is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, and a minimum pre-tax loss below \$2.5 million for the quarter.

The agreements for both warehouse lines of credit include cross default provisions where certain events of default under other of SecurityNational Mortgage's obligations constitute events of default under the warehouse lines of credit. As of March 31, 2025, SecurityNational Mortgage was in compliance with all covenants under its warehouse lines of credit. The Company has also performed an analysis of its funding capacities of both internal and external sources and has determined that there are sufficient funds to continue its current business model. The Company continues to negotiate other warehouse lines of credit with other lenders.

10) Reinsurance, Commitments and Contingencies (Continued)

Debt Covenants for Revolving Lines of Credit and Bank Loans

The Company also has debt covenants on its revolving lines of credit and is required to comply with minimum operating cash flow ratios and minimum net worth requirement for each of its business segments. The Company also has debt covenants for one of its loans on real estate requiring a minimum consolidated operating cash flow ratio, minimum liquidity, and consolidated net worth. In addition to these financial debt covenants, the Company is required to provide segment specific financial statements and building specific financial statements on all bank loans. As of March 31, 2025, the Company was in compliance with all these debt covenants.

Other Contingencies and Commitments

The Company belongs to a captive insurance group (“the captive group”) for certain casualty insurance, worker compensation and general liability programs. The captive group maintains insurance reserves relative to these programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverage. When estimating the insurance liabilities and related reserves, the captive group considers several factors, which include historical claims experience, demographic factors, severity factors and valuations provided by independent third-party actuaries. If actual claims or adverse development of loss reserves occurs and exceed these estimates, additional reserves may be required from the Company and its subsidiaries. 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 legal actions arising from the normal conduct of business. The Company believes that none of the actions, if adversely determined, will have a material effect on the Company’s financial position or results of operations. Based on management’s assessment and legal counsel’s analysis concerning the likelihood of unfavorable outcomes, no amounts have been accrued for the above claims in the consolidated financial statements. The Company is not a party to any other material legal proceedings outside the ordinary course of business or to any other legal proceedings, which, if adversely determined, would have a material adverse effect on its financial condition or results of operations.

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11) Mortgage Servicing Rights

The Company initially records its MSR's at fair value as discussed in Note 8.

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

The Company periodically assesses MSR's 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 MSR's are impaired, the impairment is recognized in current-period earnings and the carrying value of the MSR's is adjusted through a valuation allowance.

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

The following table presents the MSR activity:

	As of March 31, 2025	As of December 31, 2024
Amortized cost:		
Balance before valuation allowance at beginning of year	\$ 2,939,878	\$ 3,461,146
MSR additions resulting from loan sales (1)	35,852	90,370
Amortization (2)	(136,182)	(611,638)
Sale of MSR's	-	-
Application of valuation allowance to write down MSR's with other than temporary impairment	-	-
Balance before valuation allowance at end of period	<u>\$ 2,839,548</u>	<u>\$ 2,939,878</u>
Valuation allowance for impairment of MSR's:		
Balance at beginning of year	\$ -	\$ -
Additions	-	-
Application of valuation allowance to write down MSR's with other than temporary impairment	-	-
Balance at end of period	<u>\$ -</u>	<u>\$ -</u>
Mortgage servicing rights, net	<u>\$ 2,839,548</u>	<u>\$ 2,939,878</u>
Estimated fair value of MSR's at end of period	<u>\$ 4,288,738</u>	<u>\$ 4,552,316</u>

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

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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11) Mortgage Servicing Rights (Continued)

The table below summarizes the Company's estimate of future amortization of its existing MSRs carried at amortized cost. This projection was developed using the Company's assumptions in its March 31, 2025 valuation of MSRs. The assumptions used in the following table are likely to change as market conditions, portfolio composition and borrower behavior change, causing both actual and projected amortization levels to change over time.

	Estimated MSR Amortization
2025	313,624
2026	276,708
2027	249,392
2028	221,913
2029	198,505
Thereafter	1,579,406
Total	\$ 2,839,548

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

	Three Months Ended March 31,	
	2025	2024
Contractual servicing fees	\$ 232,101	\$ 256,662
Late fees	19,617	23,208
Total	\$ 251,718	\$ 279,870

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

	As of March 31, 2025	As of December 31, 2024
Servicing UPB	\$ 381,495,494	\$ 385,134,774

The following key assumptions were used in determining MSR value:

	Prepayment Speeds	Average Life (Years)	Discount Rate
March 31, 2025	10.00	7.83	11.98
December 31, 2024	8.79	8.28	12.14

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12) Income Taxes

The Company's overall effective tax rate for the three month periods ended March 31, 2025 and 2024 was 22.1% and 22.3%, respectively, which resulted in a provision for income taxes of \$1,232,602 and \$2,144,789, respectively. The Company's effective tax rate is higher than the U.S. federal statutory rate of 21% due to, among other factors, state taxes as offset by certain state income tax benefits, along with certain permanent tax adjustments such as meals and entertainment and stock-based compensation. The decrease in the effective tax rate when compared to the prior year was primarily due to the Company's decreased state income tax provision.

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

13) Revenues from Contracts with Customers

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

Information about Performance Obligations and Contract Balances

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

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

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

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

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

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

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13) Revenues from Contracts with Customers (Continued)

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

	Contract Balances		
	Receivables (1)	Contract Asset	Contract Liability
Opening (December 31, 2024)	\$ 7,095,589	\$ -	\$ 20,168,405
Closing (March 31, 2025)	7,103,871	-	20,910,047
Increase/(decrease)	<u>8,282</u>	<u>-</u>	<u>741,642</u>

	Contract Balances		
	Receivables (1)	Contract Asset	Contract Liability
Opening (December 31, 2023)	\$ 6,321,573	\$ -	\$ 18,237,246
Closing (December 31, 2024)	7,095,589	-	20,168,405
Increase/(decrease)	<u>774,016</u>	<u>-</u>	<u>1,931,159</u>

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

The amount of revenue recognized and included in the opening contract liability balance for the three month periods ended March 31, 2025 and 2024 was \$1,159,212 and \$1,506,114, respectively.

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

Disaggregation of Revenue

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

	Three Months Ended March 31,	
	2025	2024
<u>Major goods/service lines</u>		
At-need	\$ 5,716,277	\$ 5,410,300
Pre-need	1,583,944	1,538,191
	<u>\$ 7,300,221</u>	<u>\$ 6,948,491</u>
<u>Timing of Revenue Recognition</u>		
Goods transferred at a point in time	\$ 4,154,547	\$ 4,190,222
Services transferred at a point in time	3,145,674	2,758,269
	<u>\$ 7,300,221</u>	<u>\$ 6,948,491</u>

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14) Receivables

Receivables consist of the following:

	As of March 31, 2025	As of December 31, 2024
Contracts with customers	\$ 7,103,871	\$ 7,095,589
Receivables from sales agents	4,169,465	4,028,881
Other	6,302,725	6,412,804
Total receivables	17,576,061	17,537,274
Allowance for credit losses	(1,632,099)	(1,678,531)
Net receivables	<u>\$ 15,943,962</u>	<u>\$ 15,858,743</u>

The Company records an allowance for credit losses for its receivables in accordance with GAAP.

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

	Three Months Ended
Beginning balance - December 31, 2024	\$ 1,678,531
Change in provision for credit losses (1)	16,142
Charge-offs	(62,574)
Ending balance - March 31, 2025	<u>\$ 1,632,099</u>
Beginning balance - December 31, 2023	\$ 1,897,887
Change in provision for credit losses (1)	(118,497)
Charge-offs	(23,837)
Ending balance - March 31, 2024	<u>\$ 1,755,553</u>

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

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

Cemetery Perpetual Care Trust Investments and Obligation

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

The components of cemetery perpetual care investments and obligation as of March 31, 2025, are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
March 31, 2025:				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 650,126	\$ 1,323	\$ (1,117)	\$ 650,332
Obligations of states and political subdivisions	123,933	-	(4,351)	119,582
Total fixed maturity securities available for sale	<u>\$ 774,059</u>	<u>\$ 1,323</u>	<u>\$ (5,468)</u>	<u>\$ 769,914</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 3,917,228	\$ 1,356,226	\$ (201,715)	\$ 5,071,739
Total equity securities at estimated fair value	<u>\$ 3,917,228</u>	<u>\$ 1,356,226</u>	<u>\$ (201,715)</u>	<u>\$ 5,071,739</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	\$ 1,195,310			
Less: Allowance for credit losses	(405)			
Total mortgage loans held for investment	<u>\$ 1,194,905</u>			
Other investments	<u>\$ 1,106,768</u>			
Cash and cash equivalents	<u>\$ 891,086</u>			
Accrued investment income	<u>\$ 3,767</u>			
Total cemetery perpetual care trust investments	<u>\$ 9,038,179</u>			
Cemetery perpetual care obligation	<u>\$ (5,704,613)</u>			
Trust investments in excess of trust obligations	<u>\$ 3,333,566</u>			

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

The components of cemetery perpetual care investments and obligation as of December 31, 2024, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>December 31, 2024:</u>				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies				
	\$ 651,428	\$ -	\$ (2,010)	\$ 649,418
Obligations of states and political subdivisions				
	125,194	-	(4,950)	120,244
Total fixed maturity securities available for sale				
	<u>\$ 776,622</u>	<u>\$ -</u>	<u>\$ (6,960)</u>	<u>\$ 769,662</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other				
	\$ 3,874,522	\$ 1,271,529	\$ (226,007)	\$ 4,920,044
Total equity securities at estimated fair value				
	<u>\$ 3,874,522</u>	<u>\$ 1,271,529</u>	<u>\$ (226,007)</u>	<u>\$ 4,920,044</u>
Mortgage loans held for investment at amortized cost:				
Residential construction				
	\$ 202,600			
Less: Allowance for credit losses				
	(405)			
Commercial				
	1,939,269			
Less: Allowance for credit losses				
	-			
Total mortgage loans held for investment				
	<u>\$ 2,141,464</u>			
Cash and cash equivalents				
	<u>\$ 1,002,396</u>			
Accrued investment income				
	<u>\$ 2,937</u>			
Total cemetery perpetual care trust investments				
	<u>\$ 8,836,503</u>			
Cemetery perpetual care obligation				
	<u>\$ (5,642,693)</u>			
Trust investments in excess of trust obligations				
	<u>\$ 3,193,810</u>			

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of March 31, 2025 and December 31, 2024. 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>March 31, 2025</u>						
U.S. Treasury securities and obligations of U.S. Government agencies						
	\$ 1,117	\$ 500,705	\$ -	\$ -	\$ 1,117	\$ 500,705
Obligations of states and political subdivisions						
	-	-	4,351	119,582	4,351	119,582
Totals						
	<u>\$ 1,117</u>	<u>\$ 500,705</u>	<u>\$ 4,351</u>	<u>\$ 119,582</u>	<u>\$ 5,468</u>	<u>\$ 620,287</u>
<u>December 31, 2024</u>						
U.S. Treasury securities and obligations of U.S. Government agencies						
	\$ 2,010	\$ 649,419	\$ -	\$ -	\$ 2,010	\$ 649,419
Obligations of states and political subdivisions						
	4,950	120,243	-	-	4,950	120,243
Totals						
	<u>\$ 6,960</u>	<u>\$ 769,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,960</u>	<u>\$ 769,662</u>

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

Relevant holdings were comprised of three securities with fair values aggregating 99.1% of the aggregate amortized cost as of March 31, 2025. Relevant holdings were comprised of four securities with fair values aggregating 99.1% of aggregate amortized cost as of December 31, 2024. No credit losses have been recognized for the three month periods ended March 31, 2025 and 2024, since the increase in unrealized losses is primarily a result of increases in interest rates. See Note 3 for additional information regarding the Company's evaluation of the allowance for credit losses for fixed maturity securities available for sale.

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

	Amortized Cost	Estimated Fair Value
Due in 1 year	\$ 501,822	\$ 500,705
Due in 2-5 years	219,761	217,837
Due in 5-10 years	52,476	51,372
Due in more than 10 years	-	-
Total	<u>\$ 774,059</u>	<u>\$ 769,914</u>

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

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.

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

Restricted assets as of March 31, 2025, are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2025:				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 1,740,244	\$ 5,719	\$ (675)	\$ 1,745,288
Obligations of states and political subdivisions	470,113	172	(4,768)	465,517
Corporate securities including public utilities	143,321	40	(1,694)	141,667
Total fixed maturity securities available for sale	<u>\$ 2,353,678</u>	<u>\$ 5,931</u>	<u>\$ (7,137)</u>	<u>\$ 2,352,472</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 9,009,982	\$ 2,100,071	\$ (551,700)	\$ 10,558,353
Total equity securities at estimated fair value	<u>\$ 9,009,982</u>	<u>\$ 2,100,071</u>	<u>\$ (551,700)</u>	<u>\$ 10,558,353</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	\$ 1,037,234			
Less: Allowance for credit losses	(2,074)			
Total mortgage loans held for investment	<u>\$ 1,035,160</u>			
Other investments	<u>\$ 2,313,436</u>			
Cash and cash equivalents (1)	<u>\$ 11,455,090</u>			
Accrued investment income	<u>\$ 8,387</u>			
Total restricted assets	<u>\$ 27,722,898</u>			

(1) Including cash and cash equivalents of \$10,828,570 for the life insurance and mortgage segments.

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

Restricted assets as of December 31, 2024, are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<u>December 31, 2024:</u>				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 1,741,029	\$ 2,256	\$ (1,511)	\$ 1,741,774
Obligations of states and political subdivisions	471,217	180	(4,223)	467,174
Corporate securities including public utilities	144,616	32	(2,227)	142,421
Total fixed maturity securities available for sale	<u>\$ 2,356,862</u>	<u>\$ 2,468</u>	<u>\$ (7,961)</u>	<u>\$ 2,351,369</u>
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 8,547,709	\$ 1,914,309	\$ (489,852)	\$ 9,972,166
Total equity securities at estimated fair value	<u>\$ 8,547,709</u>	<u>\$ 1,914,309</u>	<u>\$ (489,852)</u>	<u>\$ 9,972,166</u>
Mortgage loans held for investment at amortized cost:				
Residential construction	\$ 985,806			
Less: Allowance for credit losses	(1,972)			
Total mortgage loans held for investment	<u>\$ 983,834</u>			
Other investments	<u>\$ 1,939,269</u>			
Cash and cash equivalents (1)	<u>\$ 8,553,803</u>			
Accrued investment income	<u>\$ 6,395</u>			
Total restricted assets	<u>\$ 23,806,836</u>			

(1) Including cash and cash equivalents of \$7,657,958 for the life insurance and mortgage segments.

Fixed Maturity Securities

The table below summarizes unrealized losses on fixed maturity securities available for sale that were carried at estimated fair value as of March 31, 2025 and December 31, 2024. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities.

	Unrealized Losses for Less than Twelve Months		Unrealized Losses for More than Twelve Months		Total Unrealized Loss	Fair Value
	Fair Value	Fair Value	Fair Value	Fair Value		
<u>At March 31, 2025</u>						
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 675	\$300,423	\$ -	\$ -	\$ 675	\$ 300,423
Obligations of states and political subdivisions	240	25,366	4,528	289,979	4,768	315,345
Corporate securities including public utilities	-	-	1,694	406,606	1,694	406,606
Total unrealized losses	<u>\$ 915</u>	<u>\$325,789</u>	<u>\$ 6,222</u>	<u>\$696,585</u>	<u>\$ 7,137</u>	<u>\$1,022,374</u>
<u>At December 31, 2024</u>						
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 1,511	\$558,707	\$ -	\$ -	\$ 1,511	\$ 558,707
Obligations of states and political subdivisions	2,004	237,636	2,219	129,358	4,223	366,994
Corporate securities including public utilities	1,316	51,685	911	65,704	2,227	117,389
Total unrealized losses	<u>\$ 4,831</u>	<u>\$848,028</u>	<u>\$ 3,130</u>	<u>\$195,062</u>	<u>\$ 7,961</u>	<u>\$1,043,090</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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15) Cemetery Perpetual Care Trust Investments and Obligations and Restricted Assets (Continued)

Relevant holdings were comprised of nine securities with fair values aggregating 99.0% of the aggregate amortized cost as of March 31, 2025. Relevant holdings were comprised of 15 securities with fair values aggregating 99.2% of the aggregate amortized cost as of December 31, 2024. No credit losses have been recognized for the three month periods ended March 31, 2025 and 2024, since the increase in unrealized losses is primarily a result of increases in interest. See Note 3 for additional information regarding the Company's evaluation of the allowance for credit losses for fixed maturity securities available for sale.

The table below presents the amortized cost and estimated fair value of fixed maturity securities available for sale as of March 31, 2025, 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	\$ 1,614,956	\$ 1,616,124
Due in 2-5 years	308,335	310,642
Due in 5-10 years	100,606	100,510
Due in more than 10 years	329,781	325,196
Total	<u>\$ 2,353,678</u>	<u>\$ 2,352,472</u>

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
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16) Accumulated Other Comprehensive Income (loss)

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

	Three Months Ended March 31,	
	2025	2024
Unrealized gains (losses) on fixed maturity securities available for sale	\$ 3,916,254	\$ (1,035,099)
Amounts reclassified into net earnings	(127,525)	(96,551)
Net unrealized gains (losses) before taxes	3,788,729	(1,131,650)
Tax (expense) benefit	(796,451)	238,552
Net	2,992,278	(893,098)
Unrealized gains (losses) on restricted assets (1)	4,288	(1,890)
Tax (expense) benefit	(1,068)	471
Net	3,220	(1,419)
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	2,815	(774)
Tax (expense) benefit	(701)	193
Net	2,114	(581)
Other comprehensive income (loss) changes	<u>\$ 2,997,612</u>	<u>\$ (895,098)</u>

(1) Fixed maturity securities available for sale

The following table presents the accumulated balances of other comprehensive income (loss) as of March 31, 2025:

	Beginning Balance December 31, 2024	Change for the period	Ending Balance March 31, 2025
Unrealized gains (losses) on fixed maturity securities available for sale	\$ (6,941,915)	\$ 2,992,278	\$ (3,949,637)
Unrealized gains (losses) on restricted assets (1)	(4,126)	3,220	(906)
Unrealized gains (losses) on cemetery perpetual care trust investments (1)	(5,225)	2,114	(3,111)
Other comprehensive income (loss)	<u>\$ (6,951,266)</u>	<u>\$ 2,997,612</u>	<u>\$ (3,953,654)</u>

(1) Fixed maturity securities available for sale

The following table presents the accumulated balances of other comprehensive income (loss) as of December 31, 2024:

	Beginning Balance December 31, 2023	Change for the period	Ending Balance December 31, 2024
Unrealized losses on fixed maturity securities available for sale	\$ (6,876,629)	\$ (65,286)	\$ (6,941,915)
Unrealized gains (losses) on restricted assets (1)	(4,757)	631	(4,126)
Unrealized losses on cemetery perpetual care trust investments (1)	(4,172)	(1,053)	(5,225)
Other comprehensive loss	<u>\$ (6,885,558)</u>	<u>\$ (65,708)</u>	<u>\$ (6,951,266)</u>

(1) Fixed maturity securities available for sale

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

Overview

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

Insurance Operations

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

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

The following table shows the condensed financial results of the insurance operations for the three month periods ended March 31, 2025 and 2024. See Note 7 to the condensed consolidated financial statements.

	Three months ended March 31, (in thousands of dollars)		
	2025	2024	% Increase (Decrease)
Revenues from external customers:			
Insurance premiums	\$ 29,780	\$ 29,852	0%
Net investment income	18,631	18,612	0%
Gains on investments and other assets	291	1,088	(73)%
Other revenues	585	418	40%
Intersegment revenues	1,320	1,380	(4)%
Total segment revenues	<u>\$ 50,607</u>	<u>\$ 51,350</u>	<u>(1)%</u>
Segment net earnings	<u>\$ 4,146</u>	<u>\$ 6,712</u>	<u>(38)%</u>

Profitability for the three month period ended March 31, 2025 decreased due to (a) a \$2,536,000 increase in selling, general and administrative expenses, (b) a \$798,000 decrease in gains on investments and other assets, (c) a \$332,000 increase in death benefits, (d) a \$73,000 decrease in insurance premiums and other considerations, (e) a \$60,000 decrease in intersegment revenue, and (f) a \$13,000 increase in amortization of deferred policy acquisition costs, which were partially offset by (i) a \$636,000 decrease in income tax expense, (ii) a \$358,000 decrease in future policy benefits, (iii) a \$168,000 increase in other revenues, (iv) a \$26,000 decrease in intersegment expenses, (v) a \$25,000 decrease in interest expense, (vi) a \$19,000 increase in net investment income, and (vii) a \$14,000 decrease in surrenders and other policy benefits.

Cemetery and Mortuary Operations

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

The following table shows the condensed financial results of the cemetery and mortuary operations for the three month periods ended March 31, 2025 and 2024. See Note 7 to the condensed consolidated financial statements.

	Three months ended March 31, (in thousands of dollars)		
	2025	2024	% Increase (Decrease)
Revenues from external customers:			
Cemetery revenues	\$ 3,710	\$ 3,534	5%
Mortuary revenues	3,590	3,414	5%
Net investment income	421	1,084	(61)%
Gains on investments and other assets	210	582	(64)%
Other revenues	188	173	9%
Intersegment revenues	84	85	(1)%
Total segment revenues	\$ 8,203	\$ 8,872	(8)%
Segment net earnings	\$ 1,703	\$ 2,267	(25)%

Profitability in the three month period ended March 31, 2025 decreased due to (a) a \$663,000 decrease in net investment income, (b) a \$372,000 decrease in gains on investments and other assets, (c) a \$234,000 increase in selling, general and administrative expenses, and (d) a \$1,000 decrease in intersegment revenues, which were partially offset by (i) a \$252,000 decrease in income tax expense, (ii) a \$176,000 increase in mortuary at-need sales, (iii) a \$146,000 increase in cemetery pre-need sales, (iv) a \$60,000 decrease in amortization of deferred policy acquisition costs, (v) a \$30,000 increase in cemetery at-need sales, (vi) a \$21,000 decrease in cost of goods and services sold, (vii) a \$15,000 increase in other revenues, and (viii) a \$6,000 decrease in intersegment expenses.

Mortgage Operations

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

SecurityNational Mortgage receives fees from borrowers that are involved in mortgage loan originations and refinancings, and secondary fees earned from third party investors that purchase the mortgage loans. Mortgage loans are generally sold with mortgage servicing rights ("MSRs") released to third-party investors or retained by SecurityNational Mortgage. SecurityNational Mortgage currently retains the mortgage servicing rights on approximately 0.10% of its loan origination volume. These mortgage loans are serviced by either SecurityNational Mortgage or an approved third-party sub-servicer.

Mortgage rates have followed the US Treasury yields up in response to increased inflation. As expected, the rapid increase in mortgage rates has resulted in a decrease in loan originations classified as 'refinance.' Higher mortgage rates have also had a negative effect on loan originations classified as 'purchases,' although not as significant as those in the refinance classification.

For the three month periods ended March 31, 2025 and 2024, SecurityNational Mortgage originated 1,508 loans (\$517,886,000 total volume) and 1,486 loans (\$465,605,000 total volume), respectively.

The following table shows the condensed financial results of the mortgage operations for the three month periods ended March 31, 2025 and 2024. See Note 7 to the condensed consolidated financial statements.

	Three months ended March 31, (in thousands of dollars)		
	2025	2024	% Increase (Decrease)
Revenues from external customers			
Secondary gains from investors	\$ 16,955	\$ 14,731	15%
Income from loan originations	6,738	6,840	(1)%
Change in fair value of loans held for sale	641	(301)	313%
Change in fair value of loan commitments	475	562	(15)%
Net investment income	150	250	(40)%
Gains (losses) on investments and other assets	86	(1)	8700%
Other revenues	289	349	(17)%
Intersegment revenues	122	147	(17)%
Total segment revenues	\$ 25,456	\$ 22,577	13%
Segment net loss	\$ (1,511)	\$ (1,504)	0%

Losses for the three month period ended March 31, 2025 increased due to (a) a \$2,025,000 increase in commissions, (b) a \$804,000 increase in personnel expenses, (c) a \$332,000 increase in other expenses, (d) a \$120,000 increase in advertising expenses, (e) a \$117,000 increase in interest expense, (f) a \$102,000 decrease in income from loan originations, (g) a \$99,000 decrease in net investment income, (h) a \$87,000 decrease in the fair value of loan commitments, (i) a \$61,000 decrease in other revenues, (j) a \$25,000 decrease in intersegment revenues, and (k) a \$3,000 increase in depreciation on property and equipment, which were partially offset by (i) a \$2,224,000 increase in secondary gains from investors, (ii) a \$942,000 increase in the fair value of loans held for sale, (iii) a \$404,000 decrease in rent and rent related expenses, (iv) a \$87,000 increase in gains on investments and other assets, (v) a \$53,000 decrease in intersegment expenses, (vi) a \$34,000 decrease in costs related to funding mortgage loans, and (vii) a \$24,000 increase in income tax benefit.

Consolidated Results of Operations

Three month period ended March 31, 2025, Compared to Three month period ended March 31, 2024

Total revenues increased by \$1,552,000, or 1.9%, to \$82,740,000 for the three month period ended March 31, 2025, from \$81,188,000 for the comparable period in 2024. Contributing to this increase in total revenues was a \$2,977,000 increase in mortgage fee income, a \$352,000 increase in net mortuary and cemetery sales, and a \$122,000 increase in other revenues, which were partially offset by a \$1,083,000 decrease in gains on investments and other assets, a \$744,000 decrease in net investment income, and a \$72,000 decrease in insurance premiums and other considerations.

Mortgage fee income increased by \$2,977,000, or 13.6%, to \$24,809,000, for the three month period ended March 31, 2025, from \$21,832,000 for the comparable period in 2024. This increase was primarily due to a \$2,224,000 increase in secondary gains from mortgage loans sold to third-party investors into the secondary market and a \$942,000 increase in the fair value of loans held for sale, which were partially offset by a \$102,000 decrease in loan fees and interest income net of an increase in the provision for loan loss reserve and an \$87,000 decrease in the fair value of loan commitments.

Insurance premiums and other considerations decreased by \$72,000, or 0.2%, to \$29,780,000 for the three month period ended March 31, 2025, from \$29,852,000 for the comparable period in 2024. This decrease was primarily due to a decrease of \$350,000 in first year premiums, which was partially offset by an increase of \$278,000 in renewal premiums.

Net investment income decreased by \$744,000, or 3.7%, to \$19,203,000 for the three month period ended March 31, 2025, from \$19,947,000 for the comparable period in 2024. This decrease was primarily attributable to a \$850,000 decrease in mortgage loan interest, a \$555,000 decrease in real estate income, a \$288,000 decrease in interest on cash and cash equivalents, a \$57,000 decrease in policy loan interest, and a \$37,000 decrease in other investment income, which were partially offset by a \$656,000 increase in insurance assignment income, a \$261,000 increase in fixed maturity securities income, a \$102,000 decrease in investment expenses, and a \$24,000 increase in equity securities income.

Net mortuary and cemetery sales increased by \$352,000, or 5.1%, to \$7,300,000 for the three month period ended March 31, 2025, from \$6,948,000 for the comparable period in 2024. This increase was primarily due to a \$146,000 increase in cemetery pre-need sales, a \$176,000 increase in mortuary at-need sales, and a \$30,000 increase in cemetery at-need sales.

Gains (losses) on investments and other assets decreased by \$1,083,000 to \$586,000 for the three month period ended March 31, 2025, from \$1,669,000 for the comparable period in 2024. This decrease in gains on investments and other assets was primarily due to a \$1,094,000 decrease in gains on equity securities, primarily attributable to decreases in the fair value of these equity securities, a \$103,000 decrease in gains on other assets, and a \$31,000 decrease in gains on fixed maturity securities, which were partially offset by a \$145,000 increase in gains on real estate.

Other revenues increased by \$122,000, or 13.0%, to \$1,062,000 for the three month period ended March 31, 2025, from \$940,000 for the comparable period in 2024. This increase was primarily due to an increase of \$147,000 in other miscellaneous revenues and a decrease of \$25,000 in servicing fee revenue due to a decrease in the retention of mortgage servicing rights.

Death benefits, surrenders and other policy benefits, and future policy benefits decreased by an aggregate of \$40,000 or 0.2%, to \$26,235,000 for the three month period ended March 31, 2025, from \$26,275,000 for the comparable period in 2024. This decrease was primarily the result of a \$358,000 decrease in future policy benefits and a \$14,000 decrease in surrender and other policy benefits which were partially offset by a \$332,000 increase in death benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired decreased by \$47,000, or 1.0%, to \$4,697,000 for the three month period ended March 31, 2025, from \$4,744,000 for the comparable period in 2024. This decrease was primarily due to increased payment consistency from premium-paying products.

Selling, general and administrative expenses increased by \$5,616,000, or 14.7%, to \$43,864,000 for the three month period ended March 31, 2025, from \$38,248,000 for the comparable period in 2024. This increase was primarily the result of a \$2,457,000 increase in commissions, a \$2,327,000 increase in personnel expenses, a \$1,115,000 increase in other expenses, a \$136,000 increase in advertising expense, and a \$28,000 increase in depreciation on property and equipment, which were partially offset by a \$413,000 decrease in rent and rent related expenses and a \$34,000 decrease in costs related to funding mortgage loans.

Interest expense increased by \$92,000, or 9.0%, to \$1,119,000 for the three month period ended March 31, 2025, from \$1,027,000 for the comparable period in 2024. This increase was primarily due to an increase of \$117,000 in interest expense on mortgage warehouse lines of credit for loans held for sale, which was partially offset by a decrease of \$25,000 in interest expense on bank loans.

Cost of goods and services sold-mortuaries and cemeteries decreased by \$21,000, or 1.6%, to \$1,253,000 for the three month period ended March 31, 2025, from \$1,274,000 for the comparable period in 2024. This decrease was primarily due to a decrease of \$40,000 in at-need sales, which was partially offset by an increase of \$19,000 in pre-need sales.

In summary total benefits and expenses were \$77,169,000, or 93.3% of total revenues, for the three month period ended March 31, 2025, as compared to \$71,569,000, or 88.2% of total revenues, for the comparable period in 2024.

Liquidity and Capital Resources

The Company's life insurance subsidiaries and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the sale or maturity of investments. The mortgage subsidiaries realize cash flow from fees generated by originating and refinancing mortgage loans and fees from mortgage loans held for sale that are sold to investors into the secondary market. It should be noted that current conditions in the financial markets and economy may affect the realization of these expected cash flows. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses related to the issuance of new policies, the maintenance of existing policies, debt service, and to meet current operating expenses.

As of March 31, 2025, the Company's subsidiary SecurityNational Mortgage was in compliance with all covenants under its warehouse lines of credit. The Company has also performed an analysis of the funding capacities of both internal and external sources and has determined that there are sufficient funds to continue its business model. The Company continues to negotiate other warehouse lines of credit with other lenders.

During the three month periods ended March 31, 2025 and 2024, the Company's operations provided cash of approximately \$9,586,000 and of approximately \$25,077,000, respectively. The decrease in cash provided by operations was due primarily to the decrease in net earnings and in loans held for sale.

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

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

The Company's investment policy is also to invest predominantly in fixed maturity securities, real estate, mortgage loans, and warehousing of mortgage loans. The warehoused mortgage loans are typically held for sale on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the Company's life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to \$353,780,000 (at estimated fair value) and \$348,774,000 (at estimated fair value) as of March 31, 2025 and December 31, 2024, respectively. This represented 35.5% and 38.0% of the total investments of the Company as of March 31, 2025 and December 31, 2024, 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 the rating of bonds. As of March 31, 2025, 1.8% (or \$6,473,000) and as of December 31, 2024, 2.4% (or \$8,431,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non-investment grade.

The Company's life insurance subsidiaries are subject to risk-based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. As of March 31, 2025 and December 31, 2024, the life insurance subsidiaries were in compliance with the regulatory criteria.

The Company's total capitalization of stockholders' equity, bank and other loans payable was \$469,317,000 as of March 31, 2025, as compared to \$445,758,000 as of December 31, 2024. This increase was primarily due to an increase of \$7,711,000 in stockholders' equity and an increase of \$16,083,000 in bank loans and other loans payable. Stockholders' equity as a percent of total capitalization was 73.8% and 76.1% as of March 31, 2025 and December 31, 2024, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2024 was 7.0% as compared to a lapse rate of 4.4% for 2023. The 2025 lapse rate to date has been approximately the same as 2024.

The combined statutory capital and surplus of the Company's life insurance subsidiaries was approximately \$121,485,000 and \$120,216,000 as of March 31, 2025, and December 31, 2024, respectively. The life insurance subsidiaries cannot pay a dividend to their parent company without the approval of state insurance regulatory authorities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of March 31, 2025, the Company carried out an evaluation under the supervision and with the participation of its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the Securities and Exchange Commission (SEC) reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms and that such information is accumulated and communicated to management, including the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The executive officers have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2025, and that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company's financial condition, results of operations, and cash flows for the periods presented in conformity with United States Generally Accepted Accounting Principles (GAAP).

Changes in Internal Control over Financial Reporting

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

Part II - Other Information

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities and Use of Proceeds from Registered Securities

None.

Issuer Purchases of Equity Securities

On April 22, 2025 the Company executed a 10b5-1 agreement with a broker to repurchase shares of the Company's Class A Common Stock. Under the terms of the agreement, the broker is permitted to repurchase up to \$1,000,000 of the Company's Class A Common Stock. Purchases commenced April 23, 2025. The agreement is subject to the daily time, price and volume conditions of Rule 10b-18. The agreement will expire on December 31, 2025. No share repurchases were made by or on behalf of the Company during the three months ended March 31, 2025.

The following table shows the Company's repurchase activity during the three-month period ended March 31, 2025 under the 10b5-1 agreement.

Period	(a) Total Number of Class A Shares Purchased	(b) Average Price Paid per Class A Share (1)	(c) Total Number of Class A Shares Purchased as Part of Publicly Announced Plan or Program	(d) Maximum Number (or Approximate Dollar Value) of Class A Shares that May Yet Be Purchased Under the Plan or Program (2)
1/1/2025-1/31/2025	-	\$ -	-	194,612
2/1/2025-2/28/2025	-	-	-	194,612
3/1/2025-3/31/2025	-	-	-	194,612
Total	-	\$ -	-	194,612

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

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

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

Disclosure of Trading Arrangements

During the three months ended March 31, 2025, no Section 16 officers or directors of the Company adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408 of Regulation S-K of the Exchange Act).

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

(a)(1) Financial Statements

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

(a)(2) Financial Statement Schedules

None

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

(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 (1)
3.2	Amended and Restated Bylaws (2)
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 Report on Form 10-K, as filed on March 31, 2017

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

SIGNATURES

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

REGISTRANT

SECURITY NATIONAL FINANCIAL CORPORATION

Registrant

Dated: May 15, 2025

/s/ Scott M. Quist

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

Dated: May 15, 2025

/s/ Garrett S. Sill

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

SUBSIDIARIES OF THE REGISTRANT
AS OF MARCH 31, 2025**Life Insurance Segment**

Security National Life Insurance Company
Reppond Holding Corporation
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.
5300 Development LLC
434 Holdings LLC
Ascension 433 LLC
Ascension 5204 LLC
SN Farmington LLC
SN Diamond LLC
SNA Venture LLC
SNA-AM LLC
SNA-CM LLC
SNA-DM LLC
SNA-MB LLC
SNA-MV LLC
SNA-RVP LLC
SNA-RVP2 LLC
SNA-SE LLC
SNA-SW LLC
SNA-TM LLC
SNA-TR2 LLC
SNA-WL2 LLC
SNCH Venture LLC
SNH Investments LLC
SNHH LLC
SNMA Properties LLC
SNMA-AR LLC
SNMA-AR2 LLC
SNMA-PF LLC
SNMA-SC LLC
SNW-HAFB LLC
C & J Financial, LLC
Beneficiary Advance LLC
SNFC Subsidiary, LLC
American Funeral Financial, LLC
Mortician's Choice, LLC
FFC Acquisition Co., LLC dba Funeral Funding Center
Canadian Funeral Financial, LLC
Beta Capital Corp.
MFF Capital LLC
Marketing Source Center, Inc. dba Security National Travel Services
Security National Real Estate Services, Inc. dba Security National Commercial Capital
SN Marketing LLC

Mortgage Segment

SecurityNational Mortgage Company
EverLEND Mortgage Company
SN Sunset LLC

Cemetery/Mortuary Segment

Memorial Estates, Inc.
Memorial Estates Endowment Care
Memorial Estates Trusts
Memorial Mortuary, Inc.
SN Probst LLC
SN-Holbrook LLC
SN-Rivera LLC
SNR-SF Cemetery LLC
SNR-SF Mortuary LLC
SNR-Taos LLC
SNR-Espanola LLC
SNR-LA LLC
Affordable Funerals and Cremations of America, Inc.
Cottonwood Mortuary, Inc.
Deseret Memorial, Inc.
Holladay Memorial Park, Inc.
Holladay Memorial Park Foundation Trust
Holladay-Cottonwood Memorial Foundation
Holladay-Cottonwood Memorial Foundation Trust
California Memorial Estates, Inc. dba Singing Hills Memorial Park
SN Oquirrh LLC
SN Silver Creek LLC
SN Towns LLC
MEM-JK LLC

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

I, Scott M. Quist, certify that:

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

Dated: May 15, 2025

/s/ Scott M. Quist

Scott M. Quist

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

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

I, Garrett S. Sill, certify that:

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

Dated: May 15, 2025

/s/ Garrett S. Sill

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

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

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott M. Quist, Chairman of the Board, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Dated: May 15, 2025

/s/ Scott M. Quist

Scott M. Quist

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

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

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Garrett S. Sill, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Dated: May 15, 2025

/s/ Garrett S. Sill

Garrett S. Sill

Chief Financial Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)
