Security National
Financial Corporation

— 2015 Annual Report —

MORTGAGES | MORTUARIES & CEMETERIES | LIFE INSURANCE | REAL ESTATE

Scott M. Quist

Chairman of the Board
President
Chief Executive Officer

My Fellow Shareholders:

I am pleased to report to you on the affairs of your Company for the year ended December 31, 2015 and invite you to attend the annual stockholders meeting to be held Wednesday, July 6, 2016 in Salt Lake City, Utah.

Perhaps I can summarize 2015 by simply saying after tax profitability improved 64% over 2014. 2014 was a good year itself with profitability improving 27% over 2013. That 64% improvement provided earnings per share of $.92, giving our stock a trailing P/E ratio of 5.3. Using return on equity as a measure, we improved to a nearly 13% return on equity. Measuring performance based upon return on total assets, a common metric for financial enterprises, we improved to almost a 2% return on total assets. Using the SEC reporting criteria, $1 invested in our stock on December 31, 2011 would have grown 448% to $4.48 as of year-end 2015.

There were a number of notable milestones and accomplishments in 2015. We passed the $100,000,000 mark in shareholder's equity ending the year at $111 million. Our mortgage servicing portfolio has now eclipsed the $2 billion mark in unpaid principle balance. Total assets grew 12% to $749 million and we announced the agreement to acquire First Guaranty Insurance Company which, when accomplished, will increase our total assets above the $800,000,000 mark.

In 2015 we completed our Dry Creek Apartment development project. That development has 282 units and as of the time this goes to press we had a 90% lease up rate accomplished just 5 months following completion. Continuing on the real estate front we broke ground on our 5300 South office complex development, a project which when completed as envisioned will have six office buildings having approximately 1,000,000 square feet. We do not view ourselves as real estate developers but do believe we should take some of our prime real estate holdings and intensify their development.

In 2015, our life insurance segment increased new sales by 33% as measured by policy count and 22% as measured by premium. Our mortgage segment increased loan originations by 38% to nearly $3 billion with purchase transactions being nearly 78% of the total. Our death care segment, on an operations basis, increased profitability 36% and improved EBITDA by 13%.

Despite our considerable progress there are many challenges. Persistently low interest rates hurt our life segment profitability and make quality, relatively high yielding investments increasingly difficult to find. Increased regulation challenges the cost structures in our mortgage segment. Changing death care preferences must be dealt with by our cemetery and mortuaries, many times decreasing revenue and increasing costs. Despite the challenges, 2015 was a great year where we accomplished considerable progress which gives us considerable optimism for the future.

I thank you for your continued support and hope to see you in our Annual Meeting on July 6th.

Very Truly Yours,

Scott M. Quist
Chairman, President and Chief Executive Officer

Security National
Financial Corporation

Security National Financial Corporation
Directors, Officers and Outside Legal Counsel

Scott M. Quist
Chairman of the Board
President
Chief Executive Officer
Director
Executive Committee

H. Craig Moody
President, Moody & Associates
Director
Executive Committee
Audit Committee,
Compensation Committee
Nominating and Corporate
Governance Committee

Norman G. Wilbur
Former Manager of Planning
and Reporting, J.C. Penney Co., Inc.
Director
Audit Committee
Compensation Committee
Nominating and Corporate
Governance Committee

Robert G. Hunter M.D.
Past Medical Staff President
Department Head-Otolaryngology,
Head and Neck Surgery
Intermountain Medical Center
Director
Compensation Committee
Nominating and Corporate
Governance Committee

Gilbert A. Fuller
Former Executive Vice President,
Chief Financial Officer and Secretary,
USANA Health Sciences, Inc.
Director
Executive Committee
Audit Committee
Compensation Committee
Nominating and Corporate
Governance Committee

John L. Cook
Co-Owner & Operator
Cook Brothers Painting, Inc.
Director
Compensation Committee
Nominating and Corporate
Governance Committee

Andrew Quist
Vice President
Associate General Counsel
Director
Executive Committee

Jason G. Overbaugh
Vice President
National Marketing Director
of Life Insurance

Jeffrey R. Stephens
Corporate Secretary
General Counsel

Garrett S. Sill
Chief Financial Officer
Treasurer

Christie Q. Overbaugh
Senior Vice President of
Internal Life Operations

Adam Quist
Vice President – Memorial Services
Assistant Secretary
Associate General Counsel

Diana Olson
Vice President
Controller

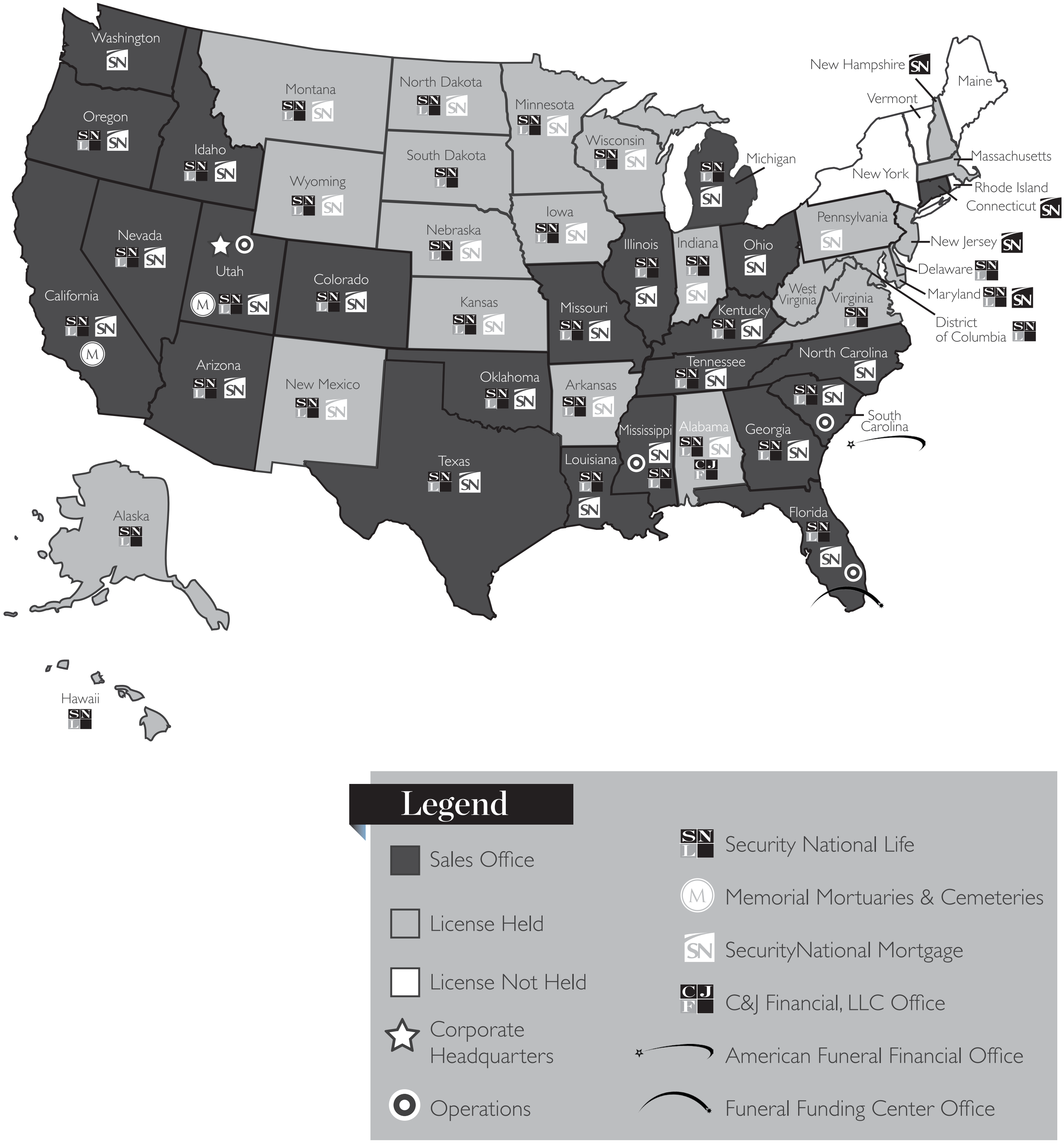
Steve Johnson
Vice President
Mortgage Operations

Thayne Atkinson
Vice President
Chief Information Officer

John VanValkenburg
Vice President
Actuarial Services

Matthew Bagley
Associate General Counsel

Randall A. Mackey
Partner
Mackey Price & Mecham
Outside Legal Counsel


Washington
Oregon
Idaho
Montana
North Dakota
South Dakota
Wyoming
Nebraska
Minnesota
Wisconsin
Iowa
Michigan
New York
Vermont
Maine
New Hampshire
Massachusetts
Rhode Island
Connecticut
Pennsylvania
New Jersey
Delaware
Maryland
District of Columbia
Virginia
West Virginia
Ohio
Indiana
Illinois
Kentucky
Missouri
Kansas
Colorado
Utah
Nevada
California
Arizona
New Mexico
Oklahoma
Arkansas
Tennessee
North Carolina
South Carolina
Georgia
Alabama
Mississippi
Louisiana
Texas
Florida
Alaska
Hawaii
Legend
Sales Office
License Held
License Not Held
Corporate Headquarters
Operations
Security National Life
Memorial Mortuaries & Cemeteries
SecurityNational Mortgage
C&J Financial, LLC Office
American Funeral Financial Office
Funeral Funding Center Office

SNFC Corporate Offices

Security National Financial Corporation
5300 South 360 West, Suite 250
Salt Lake City, UT 84123
P.O. Box 57250
Salt Lake City, UT 84157-0250
Telephone: (801) 264-1060
Toll Free: (800) 574-7117
Fax: (801) 265-9882

Form 10-K Offer

If you are a holder or beneficial owner of the company's stock, the company will send you, upon request and at no charge, a copy of the company's Annual Report on Form 10-K filed with the Securities & Exchange Commission for the year 2015 (including a list of exhibits). All requests must be made in writing to the Corporate Secretary.

Security National Financial Corporation
P.O. Box 57250
Salt Lake City, Utah 84157-0250

Stock Transfer Agents
Zions First National Bank
P.O. Box 30880
Salt Lake City, UT 84130

Former Holders of Preferred Stock and/or Promissory Notes
Security National Financial Corporation
Attn: Stock Department
P.O. Box 57250
Salt Lake City, UT 84157-0250

Certified Public Accountants
Eide Bailly
Salt Lake City, Utah

Outside Legal Counsel
Mackey Price & Mecham
Salt Lake City, Utah

Company E-mail Address:
contact@securitynational.com

Company Internet Address:
www.securitynational.com

Life Insurance Offices

Security National Life Insurance Company
5300 South 360 West, Suite 200
Salt Lake City, UT 84123
Telephone: (800) 574-7117

Security National Life Insurance Company–Home Service
1044-B River Oaks Drive
Flowood, MS 39232
Telephone: (800) 826-6803

Security National Life Insurance Company–Preneed Sales
1 Sanctuary Boulevard, Suite 302
Mandeville, LA 70471
Telephone: (800) 574-7117

Fast Funding Offices

C&J Financial, LLC
497-A Sutton Bridge Road
Rainbow City, AL 35906
Telephone: (800) 785-0003

American Funeral Financial
3515 Pelham Road, Suite 200
Greenville, SC 29615
Telephone: (877) 213-4233

Funeral Funding Center
7100 Pines Boulevard, #26
Pembroke Pines, FL 33024
Telephone: (888) 866-6083

Mortgage Offices

SecurityNational Mortgage Company–Operations
5300 South 360 West, Suite 150
Salt Lake City, Utah 84123
Telephone: (801) 264-8111

Sales Offices

ARIZONA

Chandler
2450 South Gilbert Road, #210
Chandler, AZ 85286
Telephone: (602) 344-9333

Glendale
6751 North Sunset Blvd, #E-290
Glendale, AZ 85305
Telephone: (602) 273-9610

Mesa
1819 South Dobson, Suite 203
Mesa, AZ 85202
Telephone: (602) 291-3357

Phoenix
2345 East Thomas Road, Suite 400
Phoenix, AZ 85016
Telephone: (602) 774-0990

Scottsdale
17015 North Scottsdale Road, #125, #210 & #340
Scottsdale, AZ 85255
Telephone: (480) 426-0400

CALIFORNIA

Campbell
900 East Hamilton Avenue
Campbell, CA 95008
Telephone: (408) 879-7223

Carlsbad
5650 El Camino Real, #103
Carlsbad, CA 92008
Telephone: (760) 207-2350

City of Industry
13191 Crossroads Parkway, #435
City of Industry, CA 91746
Telephone: (714) 745-6337

Fair Oaks
8505 Madison Avenue, #140
Fair Oaks, CA 95628
Telephone: (916) 241-0799

Long Beach
3643 East 4th Street, Suite A
Long Beach, CA 90814
Telephone: (562) 742-2040

Morgan Hill
18625 Sutter Boulevard, #300
Morgan Hill, CA 95037
Telephone: (669) 258-0019

Orange
765 The City Drive, #360
Orange, CA 92868
Telephone: (657) 236-5020

Pasadena
140 South Lake Avenue, #305
Pasadena, CA 91101
Telephone: (714) 745-6337

Pleasant Hill
140 Gregory Lane, Suite 240
Pleasant Hill, CA 94523
Telephone: (925) 695-2750

Roseville
3005 Douglas Boulevard, Suite 100
Roseville, CA 95661
Telephone: (916) 408-3031

San Gabriel
923 East Valley Boulevard, #103B
San Gabriel, CA 91776
Telephone: (562) 682-0217

COLORADO

Greenwood Village
7100 East Belleview Avenue, Suite 301
Greenwood Village, CO 80111
Telephone: (303) 771-0858

8480 East Orchard Road, Suite 4200
Greenwood Village, CO 80111
Telephone: (720) 214-5691

CONNECTICUT

Vernon
15 Lakeview Drive
Vernon, CT 06066
Telephone: (860) 604-1688

FLORIDA

Boca Raton
2500 North Military Trail, Suite 130
Boca Raton, FL 33431
Telephone: (561) 869-4161

Cape Coral
1716 Cape Coral Parkway West, #2
Cape Coral, FL 33914
Telephone: (239) 222-2252

3046 Del Prado Boulevard, Suite 3C & 3E
Cape Coral, FL 33904
Telephone: (239) 549-1900

Ft. Meyers
8191 College Parkway, Suite 201
Ft. Myers, FL 33907
Telephone: (888) 550-9221

4575 Via Royal, Suite 100
Ft. Myers, FL 33919
Telephone: (239) 243-8832

Lake Mary
1145 TownPark Ave, Suite 2215 & 2255
Lake Mary, FL 32746
Telephone: (407) 302-8384

Continued

Miami
10631 North Kendall Drive, #110
Miami, FL 33176
Telephone: (321) 914-5159

Naples
4947 North Tamiami Trail, #104
Naples, FL 34103
Telephone: (239) 293-2069

Oldsmar
3689 Tampa Road, #330 & #324
Oldsmar, FL 34677
Telephone: (727) 724-5438

Orlando
17 North Summerlin Avenue
Orlando, FL 32801
Telephone: (407) 302-8384

5222 Andrus Avenue, #A
Orlando, FL 32810
Telephone: (407) 730-8823

7575 Dr Phillips Boulevard, Suite 270
Orlando, FL 32819
Telephone: (407) 302-8384

Palm Harbor
35190 US Highway 19 North
Palm Harbor, FL 34684
Telephone: (727) 785-0240

Sarasota
1680 Fruitville Road, #317 & #318
Sarasota, FL 34236
Telephone: (941) 893-2630

Tampa
14502 N Dale Mabry Highway, #59
Tampa, FL 33618
Telephone: (813) 968-3800

GEORGIA
Duluth
2250 Satellite Boulevard, #115
Duluth, GA 30097
Telephone: (678) 300-1438

IDAHO
Blackfoot
310 N Meridian Street, Suite D #4
Blackfoot, ID 83221
Telephone: (208) 538-2989

Driggs
1290 Arrowhead Plaza Way
P.O. Box 1440
Driggs, ID 83422
Telephone: (208) 354-5626

Idaho Falls
1302 East 17th Street
Idaho Falls, ID 83404
Telephone: (208) 522-2828

McCall
116 North 3rd Street, Suite 12
McCall, ID 83638
Telephone: (208) 634-2767

Boise
12 West Main Street, #3
Boise, ID 83440
Telephone: (208) 917-5200

Rexburg
116 North 3rd Street, Suite 12
Rexburg, ID 83638
Telephone: (208) 419-4698

ILLINOIS
Forest Park
7227 West Madison Avenue
Forest Park, IL 60130
Telephone: (708) 366-8466

KENTUCKY
Florence
1515 Cavalry Drive, Suite 202
Florence, KY 41042
Telephone: (859) 817-0927

LOUISIANA
Gretna
1100 4th Street
Gretna, LA 70003
Telephone: (504) 368-2886

MICHIGAN
Bingham Farms
30700 Telegraph Road, #3455
Bingham Farms, MI 48025

Howell
915 North Michigan Avenue
Howell, MI 48843
Telephone: (810) 599-5606

MISSISSIPPI
Saltillo
3543 Tom Watson Drive
Saltillo, MS 38801
Telephone: (901) 443-9147

MISSOURI
Bridgeton
4148 Tideland Drive
Bridgeton, MO 63044
Telephone: (855) 203-1300

NEVADA
Henderson
2370 Corporate Circle, Suite 200
Henderson, NV 89074
Telephone: (702) 487-5626

Las Vegas
3285 North Fort Apache Road
Las Vegas, NV 89129
Telephone: (702) 562-8733

6130 Elton Avenue, #223
Las Vegas, NV 89107
Telephone: (702) 216-0398

4000 South Eastern Avenue, #310
Las Vegas, NV 89119
Telephone: (702) 754-0032

9330 West Sahara Avenue, Suite 270
Las Vegas, NV 89117
Telephone: (702) 647-5500

NORTH CAROLINA
Charlotte
10800 Sikes Place, #300
Charlotte, NC 28277
Telephone: (980) 777-6288

Matthews
624-412 Matthews Mint Hill Road
Matthews, NC 28105
Telephone: (205) 862-7090

OHIO
Columbus
999 Polaris Parkway, #211
Columbus, OH 43240
Telephone: (614) 441-9978

OKLAHOMA
Broken Arrow
2468 West New Orleans
Broken Arrow, OK 74011
Telephone: (918) 286-1226

OREGON
Portland
10610 Southeast Washington
Portland, OR 97216
Telephone: (503) 251-5482

3050 Southeast Division St, Suite 245
Portland, OR 97202
Telephone: (971) 544-7192

3311 Northeast MLK Jr. Blvd, #203
Portland, OR 97212
Telephone: (503) 931-2868

515 NE Tomahawk Island Dr, Bldg 1#3
Portland, OR 97217
Telephone: (503) 964-2900

TENNESSEE
Collierville
1133 Polo Drive, #104
Collierville, TN 38017
Telephone: (407) 302-8384

Gallatin
1517 Hunt Club Boulevard, #200
Gallatin, TN 37066

Franklin
1725 Cool Springs Boulevard, #600
Franklin, TN 37067
Telephone: (615) 586-3178

Knoxville
108 Stekoia Lane, #102
Knoxville, TN 37912
Telephone: (865) 342-0366

Memphis
6263 Poplar Avenue, #900
Memphis, TN 38119
Telephone: (407) 302 8384

TEXAS
Addison
16801 Addison Road, #101
Addison, TX 75001
Telephone: (214) 473-4566

Continued

Austin
9737 Great Hills Trail,
#220, #200 & #150
Austin, TX 78759
Telephone: (512) 795-5596

8700 Manchaca Road, Suite 603
Austin, TX 78748
Telephone: (512) 329-0098

Brownsville
1213 E. Alton Gloor Blvd, #H & #I
Brownsville, TX 78526
Telephone: (956) 554-0792

Dallas
12201 Merit Drive, #400
Dallas, TX 75251
Telephone: (469) 374-9700

7920 Beltline Road, Suite 710
Dallas, TX 75254
Telephone: (214) 730-0021

Eagle Pass
310 East Rio Grande Street
Eagle Pass, TX 78852
Telephone: (830) 776-4323

El Paso
1626 Lee Trevino, Suite A
El Paso, TX 79936
Telephone: (915) 307-7212

5780 North Mesa, Suite 5780
El Paso, TX 79912
Telephone: (915) 584-8680

Fort Worth
4936 Collinwood, #110
Fort Worth, TX 76107
Telephone: (817) 945-2551

Frisco
5850 Town and Country Blvd, #1303
Frisco, TX 75034
Telephone: (832) 397-5241

Fulshear
30417 5th Street, Suite B
Fulshear, TX 77441
Telephone: (281) 830-8888

Houston
16350 Park Ten Place, Suite 202
Houston, TX 77048
Telephone: (832) 786-6692

17347 Village Green Drive, Suite 102A
Houston, TX 77040
Telephone: (832) 615-5400

17000 El Camino Real, #103D
Houston, TX 77058
Telephone: (281) 990-8643

Hurst
1848 Norwood Plaza, Suite 205
Hurst, TX 76054
Telephone: (855) 203-1300

Katy
24668 Kingsland Boulevard
Katy, TX 77494
Telephone: (281) 549-7194

2877 Commercial Center Boulevard
Katy, TX 77494
Telephone: (281) 558-0004

Lakeway
1202 Lakeway Drive, Suite 12
Lakeway, TX 78734
Telephone: (512) 982-4600

Laredo
7913 McPherson Road, Suite 110
Laredo, TX 78045
Telephone: (956) 284-0888

League City
3027 Marina Bay Drive, #200
League City, TX 77573
Telephone: (281) 549-7194

Round Rock
1 Chisholm Trail, Suite 210
Round Rock, TX 78681
Telephone: (512) 244-1124

San Antonio
2526 North Loop 1604 West, #210
San Antonio, TX 78248
Telephone: (210) 998-2778

Sugarland
19901 Southwest Freeway, #108
Sugarland, TX 77479
Telephone: (713) 278-7400

Weatherford
602 South Main Street, #300
Weatherford, TX 76086
Telephone: (817) 596-2838

Wichita Falls
2525 Kell Boulevard, Suite 307
Wichita Falls, TX 76308
Telephone: (512) 795-5596

The Woodlands
8505 Technology Forest Place, #304
Woodlands, TX 77381
Telephone: (832) 616-5770

UTAH

Brickyard
1111 Brickyard Road, #107
Salt Lake City, UT 84106
Telephone: (801) 327-0059

Cottonwood Heights
6965 Union Park Center, #260
Cottonwood Heights, UT 84047
Telephone: (801) 727-4040

6965 Union Park Center, #300
Cottonwood Heights, UT 84047
Telephone: (801) 838-9808

6965 Union Park Center, #470
Cottonwood Heights, UT 84047
Telephone: (801) 545-7270

6975 Union Park Center, #420
Cottonwood Heights, UT 84047
Telephone: (801) 508-6300

Draper
13997 South Minuteman Drive, #100
Draper, UT 84020
Telephone: (801) 988-4696

13997 South Minuteman Drive, #250
Draper, UT 84020
Telephone: (801) 988-4697

Ephraim
497 South Main
Ephraim, UT 84627
Telephone: (435) 851-0743

Kamas
228 State Route 248, Suite 2A
Kamas, UT 84036
Telephone: (435) 783-8010

Layton
1558 North Woodland Park Dr, #400
Layton, UT 84041
Telephone: (801) 589-1111

Midway
210 East Main Street, #111
Midway, UT 84049
Telephone: (435) 657-5656

Orem
730 South Sleepyridge Drive, Suite 211
Orem, UT 84058
Telephone: (801) 724-6425

Park City
1245 Deer Valley Drive, Suite 3A
Park City, UT 84060
Telephone: (435) 252-5555

Richfield
465 North Main
Richfield, UT 84701
Telephone: (435) 896-8768

Riverton
1864 West 12600 South, Suite 6
Riverton, UT 84065
Telephone: (801) 988-4691

Salt Lake City
307 West 200 South, Suite 5004
Salt Lake City, UT 84101
Telephone: (801) 372-0090

5993 South Redwood Road
Salt Lake City, UT 84123
Telephone: (801) 261-2105

Sandy
9815 South Monroe Street, Suite 203
Sandy, UT 84070
Telephone: (801) 262-6033

9815 South Monroe Street, Suite 206
Sandy, UT 84070
Telephone: (801) 561-7200

Continued

South Jordan
10757 S River Front Parkway, #110
South Jordan, UT 84095
Telephone: (801) 988-4671

10437 South 1300 West, #200
South Jordan, UT 84095
Telephone: (801) 988-4640

St. George
1224 South River Road #E3-4
St. George, UT 84790
Telephone: (435) 627-5293

Taylorsville
6575 South Redwood Road, #225
Taylorsville, UT 84123
Telephone: (801) 727-7600

Tooele
118 East Vine Street
Tooele, UT 84074
Telephone: (435) 843-5340

WASHINGTON

Bellevue
10655 Northeast 4th Street, #800
Bellevue, WA 98004
Telephone: (425) 214-7040

Everett
11314 4th Avenue West, #209
Everett, WA 98204
Telephone: (866) 963-7662

1604 Hewitt Avenue, #703
Everett, WA 98201
Telephone: (425) 903-5647

Kirkland
11232 120th Avenue NE, #206
Kirkland, WA 98033
Telephone: (206) 349-7255

Lakewood
10524 Bridgeport Way SW
Lakewood, WA 98499
Telephone: (509) 312-0004

Puyallup
318 39th Avenue SW, Suite A
Puyallup, WA 98004
Telephone: (253) 604-1772

Tacoma
535 Dock Street, #103
Tacoma, WA 98402
Telephone: (253) 203-0988

4424 6th Avenue, Suite 1-I
Tacoma, WA 98402
Telephone: (4250 285-5170

Vancouver
15640 NE Fourth Plain Blvd, #220 & #221
Vancouver, WA 98682
Telephone: (360) 253-1212

Cemetery & Mortuary Offices

Memorial Group Operations
5300 South 360 West, Suite 350
Salt Lake City, UT 84123
Telephone: (801) 268-8771

Mortuaries

Memorial Holladay-Cottonwood Mortuary
4670 South Highland Drive
Salt Lake City, UT 84117
Telephone: (801) 278-2801

Memorial Deseret Mortuary
36 East 700 South
Salt Lake City, UT 84111
Telephone: (801) 364-6528

Memorial Lake Hills Mortuary
10055 South State Street
Sandy, UT 84070
Telephone: (801) 566-1249

Memorial Lakeview Mortuary
1640 East Lakeview Drive
Bountiful, UT 84010
Telephone: (801) 298-1564

Memorial Murray Mortuary
5850 South 900 East
Murray, UT 84121
Telephone: (801) 262-4631

Memorial Mountain View Mortuary
3115 East 7800 South
Cottonwood Heights, UT 84121
Telephone: (801) 943-0831

Memorial Redwood Mortuary
6500 South Redwood Road
West Jordan, UT 84123
Telephone: (801) 969-3456

Cemeteries

Memorial Holladay Cemetery
4900 South Memory Lane
Holladay, UT 84117
Telephone: (801) 278-2803

Memorial Lake Hills Cemetery
10055 South State Street
Sandy, UT 84070
Telephone: (801) 566-1249

Memorial Lakeview Cemetery
1640 East Lakeview Drive
Bountiful, UT 84010
Telephone: (801) 298-1564

Memorial Mountain View Park
3115 East 7800 South
Salt Lake City, UT 84121
Telephone: (801) 943-0831

Memorial Redwood Cemetery
6500 South Redwood Road
West Jordan, UT 84123
Telephone: (801) 969-3456

Memorial Singing Hills Park
2800 Dehesa Road
El Cajon, CA 92019
Telephone: (619) 444-3000

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Shareholders
Security National Financial Corporation

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and Subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. Our audits also included the financial statements Schedule II, Schedule IV and Schedule V. The Company's management is responsible for these consolidated financial statements and schedules. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Security National Financial Corporation and Subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their earnings and their cash flows for each of the years in the three-year period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Salt Lake City, Utah
March 30, 2016

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
Assets	**2015**	**2014**
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	$ 145,558,425	$ 135,018,347
Equity securities, available for sale, at estimated fair value	8,431,090	6,752,750
Mortgage loans on real estate and construction loans held for investment, net of allowances for loan losses of $1,848,120 and $2,003,055 for 2015 and 2014	112,546,905	120,050,072
Real estate held for investment, net of accumulated depreciation of $12,210,346 and $10,875,419 for 2015 and 2014	114,852,432	111,411,351
Policy and other loans, net of allowance for doubtful accounts of $906,616 and $693,413 for 2015 and 2014	39,582,421	34,125,428
Short-term investments	16,915,808	27,059,495
Accrued investment income	2,553,819	2,483,253
Total investments	440,440,900	436,900,696
Cash and cash equivalents	40,053,242	30,855,320
Mortgage loans sold to investors	115,286,455	67,534,400
Receivables, net	16,026,100	14,544,093
Restricted assets	9,359,802	9,347,797
Cemetery perpetual care trust investments	2,848,759	2,645,423
Receivable from reinsurers	13,400,527	12,036,263
Cemetery land and improvements	10,780,996	10,848,085
Deferred policy and pre-need contract acquisition costs	59,004,909	50,307,503
Mortgage servicing rights	12,679,755	7,834,747
Property and equipment, net	11,441,660	11,307,714
Value of business acquired	8,743,773	8,547,627
Goodwill	2,765,570	2,765,570
Other	7,100,869	5,594,324
Total Assets	$ 749,933,317	$ 671,069,562

See accompanying notes to consolidated financial statements.

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

	December 31	
Liabilities and Stockholders' Equity	**2015**	**2014**
Liabilities		
Future life, annuity, and other benefits	$ 517,177,388	$ 476,727,465
Unearned premium reserve	4,737,305	4,961,937
Bank and other loans payable	40,908,915	29,020,378
Deferred pre-need cemetery and mortuary contract revenues	12,816,227	13,242,143
Cemetery perpetual care obligation	3,465,771	3,406,718
Accounts payable	3,502,046	1,789,387
Other liabilities and accrued expenses	31,027,381	24,408,666
Income taxes	25,052,059	20,421,767
Total liabilities	638,687,092	573,978,461
Stockholders’ Equity		
Common Stock:		
Class A: common stock - $2.00 par value; 20,000,000 shares authorized; issued 13,109,100 shares in 2015 and 12,459,240 shares in 2014	26,218,200	24,918,480
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; 2,000,000 shares authorized; issued 1,709,640 shares in 2015 and 1,394,069 shares in 2014	3,419,280	2,788,138
Additional paid-in capital	30,232,582	25,931,119
Accumulated other comprehensive income, net of taxes	1,533,828	1,438,566
Retained earnings	52,021,764	44,101,252
Treasury stock, at cost - 930,546 Class A shares and -0- Class C shares in 2015; 986,264 Class A shares and -0- Class C shares in 2014	(2,179,429)	(2,086,454)
Total stockholders’ equity	111,246,225	97,091,101
Total Liabilities and Stockholders’ Equity	$ 749,933,317	$ 671,069,562

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31		
	2015	**2014**	**2013**
Revenues:			
Insurance premiums and other considerations	$ 56,409,863	$ 53,008,679	$ 50,471,658
Net investment income	34,007,904	28,303,740	20,354,002
Net mortuary and cemetery sales	11,502,045	11,426,308	12,000,375
Realized gains on investments and other assets	2,401,359	1,918,176	1,418,051
Other than temporary impairments	(605,430)	(164,240)	(336,226)
Mortgage fee income	174,323,452	128,696,998	128,800,930
Other	5,121,807	3,747,013	2,606,230
Total revenues	283,161,000	226,936,674	215,315,020
Benefits and expenses:			
Death benefits	31,158,281	27,100,278	26,048,325
Surrenders and other policy benefits	2,391,612	2,689,686	2,486,611
Increase in future policy benefits	17,212,001	18,060,151	19,594,890
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	5,641,293	6,892,978	5,181,837
Selling, general and administrative expenses:			
Commissions	81,935,623	59,876,675	65,979,564
Personnel	60,860,275	49,360,406	42,795,925
Advertising	5,730,197	4,584,436	4,837,714
Rent and rent related	7,850,776	6,135,876	5,457,988
Depreciation on property and equipment	2,183,496	2,177,165	1,621,069
Provision for loan losses and loss reserve	6,295,043	3,053,403	1,751,472
Costs related to funding mortgage loans	8,864,404	6,877,069	6,635,290
Other	26,954,378	22,800,066	18,328,005
Interest expense	4,458,612	2,994,429	2,853,701
Cost of goods and services sold – mortuaries and cemeteries	1,803,444	1,853,103	1,918,902
Total benefits and expenses	263,339,435	214,455,721	205,491,293
Earnings before income taxes	19,821,565	12,480,953	9,823,727
Income tax expense	(7,198,685)	(4,726,305)	(2,237,806)
Net earnings	$ 12,622,880	$ 7,754,648	$ 7,585,921
Net earnings per Class A equivalent common share (1)	$0.92	$0.59	$0.58
Net earnings per Class A equivalent common share - assuming dilution(1)	$0.89	$0.57	$0.55
Weighted average Class A equivalent common shares outstanding (1)	13,722,201	13,176,187	13,023,473
Weighted average Class A equivalent common shares outstanding-assuming dilution (1)	14,210,352	13,605,916	13,669,797

(1) 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. Class C common shares have been adjusted retroactively for the effect of the 1-for-10 reverse stock split that was approved by the stockholders in 2014. Net earnings per common share represent net earnings per equivalent Class A common share. Net earnings per Class C common share is $7.99, $5.51 and $5.39 per share for 2015, 2014 and 2013, respectively, and $6.87, $4.56 and $4.23 per share-assuming dilution for 2015, 2014 and 2013, respectively.

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	**2014**	**2013**
Net earnings	$ 12,622,880	$ 7,754,648	$ 7,585,921
Other comprehensive income:			
Changes in:			
Net unrealized gains (losses) on derivative instruments	866,605	286,018	(1,020,754)
Net unrealized gains (losses) on available for sale securities	(771,343)	(65,848)	304,791
Other comprehensive gain (loss)	95,262	220,170	(715,963)
Comprehensive income	$ 12,718,142	$ 7,974,818	$ 6,869,958

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2015, 2014 and 2013

	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at January 1, 2013	$ 21,687,152	$ 2,194,820	$ 21,262,140	$ 1,934,359	$ 35,114,072	$ (2,380,434)	$ 79,812,109
Net earnings	-	-	-	-	7,585,921	-	7,585,921
Other comprehensive loss	-	-	-	(715,963)	-	-	(715,963)
Stock based compensation	-	-	88,369	-	-	-	88,369
Exercise of stock options	719,572	422,422	(345,845)	-	-	(543,334)	252,815
Sale of treasury stock	-	-	428,794	-	-	299,143	727,937
Stock dividends	1,124,304	126,685	1,782,418	-	(3,033,406)	-	1
Conversion Class C to Class A	83,546	(83,545)	(1)	-	-	-	-
Balance at December 31, 2013	23,614,574	2,660,382	23,215,875	1,218,396	39,666,587	(2,624,625)	87,751,189
Net earnings	-	-	-	-	7,754,648	-	7,754,648
Other comprehensive income	-	-	-	220,170	-	-	220,170
Stock based compensation	-	-	391,220	-	-		391,220
Reverse stock split true up	-	30	-	-	(30)	-	-
Exercise of stock options	108,824	-	(34,800)	-	-	-	74,024
Sale of treasury stock	-	-	361,679	-	-	538,171	899,850
Stock dividends	1,190,040	132,767	1,997,147	-	(3,319,954)	-	-
Conversion Class C to Class A	5,042	(5,041)	(2)	-	1	-	-
Balance at December 31, 2014	24,918,480	2,788,138	25,931,119	1,438,566	44,101,252	(2,086,454)	97,091,101
Net earnings	-	-	-	-	12,622,880	-	12,622,880
Other comprehensive income	-	-	-	95,262	-	-	95,262
Stock based compensation	-	-	387,608	-	-	-	387,608
Exercise of stock options	47,922	483,304	(55,717)	-	-	(441,832)	33,677
Sale of treasury stock	-	-	666,840	-	-	530,396	1,197,236
Purchase of treasury stock	-	-	-	-	-	(181,539)	(181,539)
Stock dividends	1,248,966	150,670	3,302,732	-	(4,702,368)	-	-
Conversion Class C to Class A	2,832	(2,832)	-	-	-	-	-
Balance at December 31, 2015	$ 26,218,200	$ 3,419,280	$ 30,232,582	$ 1,533,828	$ 52,021,764	$ (2,179,429)	$ 111,246,225

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
Cash flows from operating activities:			
Net earnings	$ 12,622,880	$ 7,754,648	$ 7,585,921
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized gains on investments and other assets	(2,401,359)	(1,918,176)	(1,418,051)
Other than temporary impairments	605,430	164,240	336,226
Depreciation and amortization	5,023,985	4,389,472	4,160,760
Provision for losses on real estate accounts and loans receivable	524,237	743,386	(584,873)
Amortization of premiums and discounts	269,681	238,687	103,032
Provision for deferred and other income taxes	4,362,664	3,072,642	416,269
Policy and pre-need acquisition costs deferred	(13,061,573)	(10,159,895)	(9,666,040)
Policy and pre-need acquisition costs amortized	4,364,167	5,590,332	3,841,565
Value of business acquired amortized	1,277,126	1,302,646	1,340,272
Servicing asset at amortized cost, additions	(6,217,551)	(3,741,381)	(2,494,254)
Amortization of mortgage servicing rights	1,372,543	750,735	447,623
Stock based compensation expense	387,608	391,220	88,369
Benefit plans funded with treasury stock	1,197,236	899,850	727,937
Change in assets and liabilities:			
Land and improvements held for sale	67,089	(216,512)	(36,345)
Future life and other benefits	15,232,634	14,084,894	19,182,046
Receivables for mortgage loans sold	(47,752,055)	7,362,353	15,668,188
Other operating assets and liabilities	6,294,010	306,668	(3,046,791)
Net cash provided by (used in) operating activities	(15,831,248)	31,015,809	36,651,854
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(22,604,453)	(3,449,187)	(22,849,622)
Calls and maturities - fixed maturity securities	11,952,402	11,850,864	8,518,848
Securities available for sale:			
Purchase - equity securities	(9,336,175)	(5,996,993)	(2,807,367)
Sales - equity securities	6,559,555	3,851,664	4,528,862
Purchases of short-term investments	(47,160,050)	(18,587,022)	(19,827,619)
Sales of short-term investments	57,188,522	3,663,246	48,617,290
Sales (purchases) of restricted assets	(40,763)	(2,628,764)	2,777,715
Change in assets for perpetual care trusts	(267,717)	(230,921)	(255,204)
Amount received for perpetual care trusts	59,053	140,587	113,130
Mortgage, policy, and other loans made	(372,334,883)	(286,974,069)	(160,737,841)
Payments received for mortgage, policy, and other loans	371,254,833	267,763,998	133,260,148
Purchases of property and equipment	(3,632,690)	(1,520,443)	(3,570,334)
Disposal of property and equipment	2,899,322	894,805	33,900
Purchases of real estate held for investment	(16,725,475)	(19,317,567)	(26,749,586)
Sale of real estate held for investment	13,540,913	7,269,475	3,352,446
Cash received from reinsurance	24,020,215	13,553,864	2,466,175
Cash paid for purchase of subsidiaries, net of cash acquired	-	(15,011,193)	-
Net cash provided by (used in) investing activities	15,372,609	(44,727,656)	(33,129,059)

See accompanying notes to consolidated financial statements

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

	Years Ended December 31		
	2015	2014	2013
Cash flows from financing activities:			
Annuity contract receipts	$ 10,172,170	$ 10,051,662	$ 9,385,168
Annuity contract withdrawals	(12,273,707)	(14,519,563)	(14,866,251)
Proceeds from stock options exercised	33,677	74,024	252,815
Purchase of treasury stock	(181,539)	-	-
Repayment of bank loans and notes and contracts payable	(1,967,197)	(2,357,468)	(2,292,037)
Proceeds from bank borrowings	13,873,157	13,115,348	13,314,594
Change in line of credit borrowings	-	-	(4,608,204)
Net cash provided by financing activities	9,656,561	6,364,003	1,186,085
Net change in cash and cash equivalents	9,197,922	(7,347,844)	4,708,880
Cash and cash equivalents at beginning of year	30,855,320	38,203,164	33,494,284
Cash and cash equivalents at end of year	$ 40,053,242	$ 30,855,320	$ 38,203,164
Non Cash Investing and Financing Activities			
Mortgage loans foreclosed into real estate	$ 3,246,712	$ 981,820	$ 3,930,297

See accompanying notes to consolidated financial statements.

1) Significant Accounting Policies

General Overview of Business

Security National Financial Corporation and its wholly owned subsidiaries (the "Company") operate in three main business segments: life insurance, cemetery and mortuary, and mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance marketed primarily in the intermountain west, California and eleven southern states. The cemetery and mortuary segment of the Company consists of seven mortuaries and five cemeteries in Utah and one cemetery in California. The mortgage loan segment is an approved government and conventional lender that originates and underwrites residential and commercial loans for new construction, existing homes and real estate projects primarily in Florida, Nevada, Texas, and Utah.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The presentation of certain amounts in prior years has been reclassified to conform to the 2015 presentation.

Principles of Consolidation

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

Use of Estimates

Management of the Company has made a number of estimates and assumptions related to the reported amount of assets and liabilities, reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Investments

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

Fixed maturity securities held to maturity are carried at cost, adjusted for amortization of premium or accretion of discount. Although the Company has the ability and intent to hold these investments to maturity, infrequent and unusual conditions could occur under which it would sell certain of these securities. Those conditions include unforeseen changes in asset quality, significant changes in tax laws, and changes in regulatory capital requirements or permissible investments.

Fixed maturity and equity securities available for sale are carried at estimated fair value. Changes in fair values net of income taxes are reported as unrealized appreciation or depreciation and recorded as an adjustment directly to stockholders' equity and, accordingly, have no effect on net income.

Mortgage loans on real estate, and construction loans held to maturity are carried at their unpaid principal balances adjusted for charge-offs, the related allowance for loan losses, and net deferred fees or costs on originated loans. The Company defers related material loan origination fees, net of related direct loan origination costs, and amortizes the net fees over the term of the loans.

Mortgage loans are collateral dependent and require an appraisal at the time of underwriting and funding. Generally the Company will fund a loan not to exceed 80% of the loan's collateral fair market value. Amounts over 80% will require mortgage insurance by an approved third party insurer. Once a loan is deemed to be impaired the Company will review the market value of the collateral and provide an allowance for any impairment.

1) Significant Accounting Policies (Continued)

Mortgage loans sold to investors are carried at the amount due from third party investors, which is the estimated fair value at the balance sheet date since these amounts are generally collected within a short period of time.

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

Policy and other loans are carried at the aggregate unpaid balances, less allowances for possible losses.

Short-term investments are carried at cost and consist of certificates of deposit and commercial paper with maturities of up to one year.

Restricted assets are assets held in a trust account for future mortuary services and merchandise and consist of cash; participations in mortgage loans with Security National Life; mutual funds carried at cost; equity securities carried at fair market value; and a surplus note with Security National Life. Restricted cash also represents escrows held for borrowers and investors under servicing and appraisal agreements relating to mortgage loans, funds held by warehouse banks in accordance with loan purchase agreements and funds held in escrow for the construction of a 282-unit multifamily development in Sandy City, Utah.

Cemetery and mortuary perpetual care trust business segment contains six wholly owned cemeteries. Of the six cemeteries owned by the Company, four cemeteries are endowment care properties. Under endowment care arrangements a portion of the price for each lot sold is withheld and invested in a portfolio of investments similar to those described in the prior paragraph. The earnings stream from the investments is designed to fund future maintenance and upkeep of the cemetery.

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Cemetery Land and Improvements

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

Property and Equipment

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

Recognition of Insurance Premiums and Other Considerations

Premiums and other consideration for traditional life insurance products (which include those products with fixed and guaranteed premiums and benefits and consist principally of whole life insurance policies, limited payment life

1) Significant Accounting Policies (Continued)

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

Deferred Policy Acquisition Costs and Value of Business Acquired

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

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

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

Mortgage Servicing Rights

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

The total residential mortgage loans serviced for others consist primarily of agency conforming fixed-rate mortgage loans. The value of MSRs is derived from the net cash flows associated with the servicing contracts. The Company receives a servicing fee of generally about 0.250% annually on the remaining outstanding principal balances of the loans. Based on the result of the cash flow analysis, an asset or liability is recorded for mortgage servicing rights. The servicing fees are collected from the monthly payments made by the mortgagors. An accrual for servicing fees is recorded on uncollected mortgage payments less than 90 days delinquent. A servicing fee accrual is not made on any mortgage payments due more than 90 days delinquent. The Company generally receives other remuneration including rights to various mortgagor-contracted fees such as late charges, and collateral reconveyance charges and the Company is generally entitled to retain the interest earned on funds held pending remittance of mortgagor principal, interest, tax and insurance payments.

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

1) Significant Accounting Policies (Continued)

differing sensitivities to change in value as the result of changes in market. After being initially recorded at fair value, MSRs backed by mortgage loans are accounted for using the amortization method. MSR amortization is determined by amortizing the balance straight-line over an estimated seven and nine year life.

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

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

Derivatives

Interest Rate Locks and Commitments

The Company is exposed to price risk due to the potential impact of changes in interest rates on the values of mortgage loan commitments from the time a derivative 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 derivative loan commitments that will be exercised (i.e., the number of loan commitments that will be funded) fluctuates. The probability that a loan will not be funded within the terms of the commitment is driven by a number of factors, particularly the change, if any, in mortgage rates following the inception of the interest rate lock. However, many borrowers continue to exercise derivative loan commitments even when interest rates have fallen.

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

The Company estimates the fair value of a mortgage loan commitment based on the change in estimated fair value of the underlying mortgage loan and 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 mortgage loan commitment is issued. Therefore, at the time of issuance, the estimated fair value is zero. 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 derived from the Company's recent historical empirical data are used to estimate the quantity of mortgage loans that will fund within the terms of the commitments.

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

1) Significant Accounting Policies (Continued)

Call and Put Options

The Company has adopted a strategy of selling “out of the money” call options on its available for sale equity securities as a source of revenue. The options give the purchaser the right to buy from the Company specified equity securities at a set price up to a pre-determined date in the future. The Company has adopted the selling of put options as a means of generating cash or purchasing equity securities at lower than current market prices. The Company receives an immediate payment of cash for the value of the option and establishes a liability for the fair value of the option. The liability for options is adjusted to fair value at each reporting date. In the event an option is exercised, the Company recognizes a gain on the sale of the equity security and a gain on the sale of the option. If the option expires unexercised, the Company recognizes a gain from the sale of the option.

Allowance for Doubtful Accounts and Loan Losses and Impaired Loans

The Company records an allowance and recognizes an expense for potential losses from mortgage loans, other loans and receivables in accordance with generally accepted accounting principles.

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

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

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

Loan Loss Reserve

The mortgage loan loss reserve is an estimate of probable losses at the balance sheet date that the Company will realize in the future on mortgage loans sold to third party investors.

The loan loss reserve analysis involves mortgage loans that have been sold to third party investors where the Company has received a demand from the investor. There are generally three types of demands: make whole, repurchase, or indemnification. These types of demands are more particularly described as follows:

> *Make whole demand* – A make whole demand occurs when an investor forecloses on a property and then sells the property. The make whole amount is calculated as the difference between the original unpaid principal balance, accrued interest and fees, less the sale proceeds.
>
> *Repurchase demand* – A repurchase demand usually occurs when there is a significant payment default, error in underwriting or detected loan fraud.

1) Significant Accounting Policies (Continued)

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

Additional information related to the Loan Loss Reserve is included in Note 2.

Future Life, Annuity and Other Policy Benefits

Future policy benefit reserves for traditional life insurance are computed using a net level method, including assumptions as to investment yields, mortality, morbidity, withdrawals, and other assumptions based on the life insurance subsidiaries' experience, modified as necessary to give effect to anticipated trends and to include provisions for possible unfavorable deviations. Such liabilities are, for some plans, graded to equal statutory values or cash values at or prior to maturity. The range of assumed interest rates for all traditional life insurance policy reserves was 4.5% to 10%. Benefit reserves for traditional limited-payment life insurance policies include the deferred portion of the premiums received during the premium-paying period. Deferred premiums are recognized as income over the life of the policies. Policy benefit claims are charged to expense in the period the claims are incurred. Increases in future policy benefits are charged to expense.

Future policy benefit reserves for interest-sensitive insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 3% to 6.5%.

Participating Insurance

Participating business constituted 2%, 2%, and 2% of insurance in force for 2015, 2014 and 2013, respectively. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors.

Reinsurance

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

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

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

Pre-need Sales and Costs

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

Sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sale of cemetery interment rights are recognized in accordance with the retail land sales provisions based on GAAP. Under GAAP, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected.

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

1) Significant Accounting Policies (Continued)

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

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

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

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

Mortgage Fee Income

Mortgage fee income consists of origination fees, processing fees and certain other income related to the origination and sale of mortgage loans. For mortgage loans sold to third party investors, mortgage fee income and related expenses are recognized pursuant to GAAP at the time the sales of mortgage loans comply with the sales criteria for the transfer of financial assets, which are: (i) the transferred assets have been isolated from the Company and its creditors, (ii) the transferee has the right to pledge or exchange the mortgage, and (iii) the Company does not maintain effective control over the transferred mortgage. The Company must determine that all three criteria are met at the time a loan is funded. All rights and title to the mortgage loans are assigned to unrelated financial institution investors, including investor commitments for the loans, prior to warehouse banks purchasing the loans under the purchase commitments.

The Company, through its mortgage subsidiaries, sells all mortgage loans to third party investors without recourse. However, it may be required to repurchase a loan or pay a fee instead of repurchase under certain events, which include the following:

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

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

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

1) Significant Accounting Policies (Continued)

issues, to enforce purchase commitments, and to exhaust other alternatives. Remedial methods include the following:

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

Once purchase commitments have expired and other alternatives to remedy are exhausted, which could be earlier than the six month time period, the loans are repurchased and transferred to the long term investment portfolio at the lower of cost or fair value and previously recorded sales revenue is reversed. Any loan that later becomes delinquent is evaluated by the Company at that time and any impairment is adjusted accordingly.

Determining Lower of Cost or Market

Cost is equal to the amount paid to the warehouse bank and the amount originally funded by the Company. Market value is often difficult to determine, but is based on the following:

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

The appraised value of the real estate underlying the original mortgage loan adds support to the Company's determination of fair value because if the loan becomes delinquent, the Company has sufficient value to collect the unpaid principal balance or the carrying value of the loan. In determining the market value on the date of repurchase, the Company considers the total value of all of the loans because any sale of loans would be made as a pool.

The Company provides an allowance for loan losses on its mortgage loans held for investment. The allowance is comprised of two components. The first component is an allowance for collectively evaluated impairment that is based upon the Company's historical experience in collecting similar receivables. The second component is based upon individual evaluation of loans that are determined to be impaired.

Commercial Loans

Each quarter, management reviews the current commercial loans and determines if an allowance is required based on the Company's actual experience of losses on impaired commercial loans. To date, the Company has not incurred any significant losses. The carrying value of all commercial loans is supported by appraisals and cash flow analysis of revenue received. Also, the Company does not accrue any interest income or capitalize any of the foreclosure costs on impaired commercial loans.

Residential and Construction Loans

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

1) Significant Accounting Policies (Continued)

It should be noted that for replacement cost, when determining the fair value of mortgage properties, the Company uses Marshall and Swift, a provider of building cost information to the real estate construction industry. For the investment analysis, the Company used market data based upon its real estate operation experience and projected the present value of the net rental income over seven years. The Company used 60% of the projected cash flow analysis and 40% of the replacement cost to approximate fair value of the collateral.

Each quarter the Company also analyzes its current loan portfolio and determines the level of allowance needed for loans that are listed as current in the portfolio. The basis of the analysis places a higher weight on loans with high loan to value ratios, those that lack mortgage insurance, and certain loan types that have a higher percentage of default based on the Company's experience.

Each quarter the Company makes further analysis of the foreclosed properties to determine if any additional allowances are necessary by comparing national indexes of loan to value ratios by region to the Company's loan to value ratios. Based upon the above procedures, the Company's management believes that residential and residential construction loans are reflected in the Company's financial statements at the lower of cost or market in accordance with GAAP requirements.

Goodwill

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

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. No impairment of long-lived assets has been recognized in the accompanying financial statements.

Income Taxes

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

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

Earnings Per Common Share

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

1) Significant Accounting Policies (Continued)

Stock Based Compensation

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

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which at times exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Advertising

The Company expenses advertising costs as incurred.

Recent Accounting Pronouncements

Accounting Standards Update (“ASU”) No. 2014-11: "Transfers and Servicing - Repurchase to Maturity Transactions, Repurchase Financings, and Disclosures (Topic 860)" – Issued in June 2014, ASU 2014-11 aligns the accounting for repurchase to maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. The new authoritative guidance is effective for the first interim or annual period beginning after December 15, 2014. In addition the disclosure of certain transactions accounted for as a sale is effective for the first interim or annual period beginning on or after December 15, 2014, and the disclosure for transactions accounted for as secured borrowings is required for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. This new guidance has not and will not have a significant impact on the Company’s results of operations or financial position.

ASU No. 2014-09: “Revenue from Contracts with Customers (Topic 606)” - Issued in May 2014, ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, “Revenue Recognition”, and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Insurance contracts are excluded from the scope of this new guidance. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2017. The Company is in the process of evaluating the potential impact of this standard, which is not expected to be material to the Company’s results of operations or financial position.

ASU No. 2016-01: “ Financial Instruments – Overall (Topic 825-10)” – Issued in January 2016, ASU 2016-01 changes the accounting for non-consolidated equity investments that are not accounted for under the equity method of accounting by requiring changes in fair value to be recognized in income. Under current guidance, changes in fair value for investments of this nature are recognized in accumulated other comprehensive income as a component of stockholders’ equity. Additionally, ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values; requires entities to use the exit price when estimating the fair value of financial instruments; and modifies various presentation disclosure requirements for financial instruments. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2017. The Company is in the process of evaluating the potential impact of this standard.

ASU No. 2016-02: “Leases (Topic 842)” - Issued in February 2016, ASU 2016-02 supersedes the leases requirements in ASC Topic 840, “Leases”, and was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2018. The Company is in the process of evaluating the potential impact of this standard.

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.

2) Investments

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2015 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2015:				
Fixed maturity securities held to maturity carried at amortized cost:				
U.S. Treasury securities and obligations of U.S. Government agencies	$ 3,560,579	$ 292,869	$ (4,743)	$ 3,848,705
Obligations of states and political subdivisions	1,805,828	182,073	(1,040)	1,986,861
Corporate securities including public utilities	134,488,108	9,836,355	(5,501,743)	138,822,720
Mortgage-backed securities	5,091,887	190,867	(75,580)	5,207,174
Redeemable preferred stock	612,023	29,675	-	641,698
Total fixed maturity securities held to maturity	$ 145,558,425	$ 10,531,839	$ (5,583,106)	$ 150,507,158
Equity securities available for sale at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	$ 9,891,500	$ 213,683	$ (1,674,093)	$ 8,431,090
Total securities available for sale carried at estimated fair value	$ 9,891,500	$ 213,683	$ (1,674,093)	$ 8,431,090
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	$ 46,020,490			
Residential construction	34,851,557			
Commercial	33,522,978			
Less: Allowance for loan losses	(1,848,120)			
Total mortgage loans on real estate and construction loans held for investment	$ 112,546,905			
Real estate held for investment - net of depreciation	$ 114,852,432			
Policy and other loans at amortized cost:				
Policy loans	$ 6,896,457			
Other loans	33,592,580			
Less: Allowance for doubtful accounts	(906,616)			
Total policy and other loans at amortized cost	$ 39,582,421			
Short-term investments at amortized cost	$ 16,915,808			

2) Investments (Continued)

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2014 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2014:				
Fixed maturity securities held to maturity carried at amortized cost:				
U.S. Treasury securities and obligations of U.S. Government agencies	$ 1,873,146	$ 345,715	$ -	$ 2,218,861
Obligations of states and political subdivisions	1,736,489	221,893	(5,278)	1,953,104
Corporate securities including public utilities	126,533,483	15,841,536	(980,357)	141,394,662
Mortgage-backed securities	4,263,206	305,381	(11,894)	4,556,693
Redeemable preferred stock	612,023	22,032	-	634,055
Total fixed maturity securities held to maturity	$ 135,018,347	$ 16,736,557	$ (997,529)	$ 150,757,375
Equity securities available for sale at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	$ 7,179,010	$ 393,873	$ (820,133)	$ 6,752,750
Total securities available for sale carried at estimated fair value	$ 7,179,010	$ 393,873	$ (820,133)	$ 6,752,750
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	$ 53,592,433			
Residential construction	33,071,938			
Commercial	35,388,756			
Less: Allowance for loan losses	(2,003,055)			
Total mortgage loans on real estate and construction loans held for investment	$ 120,050,072			
Real estate held for investment - net of depreciation	$ 111,411,351			
Policy and other loans at amortized cost:				
Policy loans	$ 7,011,012			
Other loans	27,807,829			
Less: Allowance for doubtful accounts	(693,413)			
Total policy and other loans at amortized cost	$ 34,125,428			
Short-term investments at amortized cost	$ 27,059,495			

2) Investments (Continued)

Fixed Maturity Securities

The following tables summarize unrealized losses on fixed maturities securities, which are carried at amortized cost, at December 31, 2015 and 2014. The unrealized losses were primarily related to interest rate fluctuations. The tables set forth unrealized losses by duration and number of investment positions, together with the fair value of the related fixed maturity securities:

	Unrealized Losses for Less than Twelve Months	No. of Investment Positions	Unrealized Losses for More than Twelve Months	No. of Investment Positions	Total Unrealized Loss
At December 31, 2015					
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 4,743	2	$ -	0	$ 4,743
Obligations of States and Political Subdivisions	-	0	1,040	1	1,040
Corporate Securities	3,701,572	98	1,800,171	18	5,501,743
Mortgage and other asset-backed securities	75,580	4	-	0	75,580
Total unrealized losses	$ 3,781,895	104	$ 1,801,211	19	$ 5,583,106
Fair Value	$ 34,076,401		$ 3,809,957		$ 37,886,358
At December 31, 2014					
Obligations of States and Political Subdivisions	$ -	0	$ 5,278	1	$ 5,278
Corporate Securities	548,310	21	432,047	11	980,357
Mortgage and other asset-backed securities	3,966	1	7,928	0	11,894
Total unrealized losses	$ 552,276	22	$ 445,253	12	$ 997,529
Fair Value	$ 7,081,352		$ 2,777,587		$ 9,858,939

The average market value of the related fixed maturities was 87.2% and 90.8% of amortized cost as of December 31, 2015 and 2014, respectively. During 2015, 2014 and 2013, an other than temporary decline in market value resulted in the recognition of credit losses on fixed maturity securities of $120,000, $120,000 and $120,000, respectively.

On a quarterly basis, the Company reviews its available for sale and held to maturity fixed investment securities related to corporate securities and other public utilities, consisting of bonds and preferred stocks that are in a loss position. The review involves an analysis of the securities in relation to historical values, and projected earnings and revenue growth rates. Based on the analysis, a determination is made whether a security will likely recover from the loss position within a reasonable period of time. If it is unlikely that the investment will recover from the loss position, the loss is considered to be other-than-temporary, the security is written down to the impaired value and an impairment loss is recognized.

2) Investments (Continued)

Equity Securities

The following tables summarize unrealized losses on equity securities that were carried at estimated fair value based on quoted trading prices at December 31, 2015 and 2014. The unrealized losses were primarily the result of decreases in market value due to overall equity market declines. The tables set forth unrealized losses by duration and number of investment positions, together with the fair value of the related equity securities available for sale in a loss position:

	Unrealized Losses for Less than Twelve Months	No. of Investment Positions	Unrealized Losses for More than Twelve Months	No. of Investment Positions	Total Unrealized Losses
At December 31, 2015					
Industrial, miscellaneous and all other	$ 997,862	222	$ 676,232	74	$ 1,674,094
Total unrealized losses	$ 997,862	222	$ 676,232	74	$ 1,674,094
Fair Value	$ 4,177,709		$ 760,860		$ 4,938,569
At December 31, 2014					
Industrial, miscellaneous and all other	$ 327,389	138	$ 492,744	27	$ 820,133
Total unrealized losses	$ 327,389	138	$ 492,744	27	$ 820,133
Fair Value	$ 2,162,425		$ 676,706		$ 2,839,131

The average market value of the equity securities available for sale was 74.7% and 77.6% of the original investment as of December 31, 2015 and 2014, respectively. The intent of the Company is to retain equity securities for a period of time sufficient to allow for the recovery in fair value. However, the Company may sell equity securities during a period in which the fair value has declined below the amount of the original investment. In certain situations, new factors, including changes in the business environment, can change the Company's previous intent to continue holding a security. During 2015, 2014, and 2013, an other than temporary decline in the market value resulted in the recognition of an impairment loss on equity securities of $293,714, $44,240, and $100,304, respectively.

On a quarterly basis, the Company reviews its investment in industrial, miscellaneous and all other equity securities that are in a loss position. The review involves an analysis of the securities in relation to historical values, price earnings ratios, projected earnings and revenue growth rates. Based on the analysis a determination is made whether a security will likely recover from the loss position within a reasonable period of time. If it is unlikely that the investment will recover from the loss position, the loss is considered to be other than temporary, the security is written down to the impaired value and an impairment loss is recognized.

The fair values of fixed maturity securities are based on quoted market prices, when available. For fixed maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting expected future cash flows using a current market value applicable to the coupon rate, credit and maturity of the investments. The fair values for equity securities are based on quoted market prices.

2) Investments (Continued)

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2015, by contractual maturity, are shown below. 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
Held to Maturity:		
Due in 2016	$ 5,496,865	$ 5,592,783
Due in 2017 through 2020	34,664,714	36,788,278
Due in 2021 through 2025	34,792,146	35,259,361
Due after 2025	64,900,790	67,017,864
Mortgage-backed securities	5,091,887	5,207,174
Redeemable preferred stock	612,023	641,698
Total held to maturity	$ 145,558,425	$ 150,507,158

The cost and estimated fair value of available for sale securities at December 31, 2015, by contractual maturity, are shown below. 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. Equities are valued using the specific identification method.

	Cost	Estimated Fair Value
Available for Sale:		
Common stock	$ 9,891,500	$ 8,431,090
Total available for sale	$ 9,891,500	$ 8,431,090

The Company's realized gains and losses and other than temporary impairments from investments and other assets are summarized as follows:

	2015	2014	2013
Fixed maturity securities held to maturity:			
Gross realized gains	$ 387,162	$ 390,203	$ 97,238
Gross realized losses	(82,166)	(71,800)	(41,164)
Other than temporary impairments	(120,000)	(120,000)	(120,000)
Securities available for sale:			
Gross realized gains	180,602	349,207	540,990
Gross realized losses	(66,850)	(55,222)	(2,678)
Other than temporary impairments	(293,714)	(44,240)	(100,304)
Other assets:			
Gross realized gains	2,067,438	1,445,596	824,203
Gross realized losses	(84,827)	(139,808)	(538)
Other than temporary impairments	(191,716)	-	(115,922)
Total	$ 1,795,929	$ 1,753,936	$ 1,081,825

The net carrying amount for sales of securities classified as held to maturity was $2,569,712, $2,840,709 and $1,455,835, for the years ended December 31, 2015, 2014 and 2013, respectively. The net realized gain related to these sales was $311,752, $20,722 and $12,533, for the years ended December 31, 2015, 2014 and 2013, respectively.

2) Investments (Continued)

There were no investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses on available-for-sale securities) at December 31, 2015, other than investments issued or guaranteed by the United States Government.

Major categories of net investment income are as follows:

	2015	2014	2013
Fixed maturity securities	$ 8,168,441	$ 8,229,451	$ 8,265,949
Equity securities	269,795	212,917	210,491
Mortgage loans on real estate	7,696,533	7,550,110	4,666,910
Real estate	9,454,567	8,433,895	6,658,185
Policy and other loans	749,917	741,220	799,703
Short-term investments, principally gains on sale of mortgage loans	16,516,202	12,397,382	8,952,584
Gross investment income	42,855,455	37,564,975	29,553,822
Investment expenses	(8,847,551)	(9,261,235)	(9,199,820)
Net investment income	$34,007,904	$28,303,740	$20,354,002

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of $369,632, $356,369 and $341,430 for 2015, 2014 and 2013, respectively.

Net investment income on real estate consists primarily of rental revenue received under short-term leases.

Investment expenses consist primarily of depreciation, property taxes, operating expenses of real estate and an estimated portion of administrative expenses relating to investment activities.

Securities on deposit for regulatory authorities as required by law amounted to $8,815,542 and $8,886,001 at December 31, 2015 and 2014, respectively. The restricted securities are included in various assets under investments on the accompanying consolidated balance sheets.

Real Estate

The Company continues to strategically deploy resources into real estate to match the income and yield durations of its primary obligations. The sources for these real estate assets come through its various business units in the form of acquisition, development and lending foreclosures. The Company reports real estate held for investment pursuant to the accounting policy discussed in Note 1 and Note 16 of the Notes to Consolidated Financial Statements.

Commercial Real Estate Held for Investment

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

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

The Company currently owns and operates 9 commercial properties in 5 states. These properties include industrial warehouses, office building and retail centers. The assets are primarily held without debt; however, the Company does use debt in strategic cases to leverage established yields or to acquire higher quality, or class, of asset.

2) Investments (Continued)

The following is a summary of the Company's investment in commercial real estate for the periods presented:

	Net Ending Balance December 31		Total Square Footage December 31	
	2015	2014	2015	2014
Arizona	$ 463,774 (1)	$ 477,012 (1)	16,270	16,270
Kansas	11,537,335	10,103,497	222,679	222,679
New Mexico	7,000 (1)	7,000 (1)	-	-
Texas	3,768,542	3,748,571	23,470	23,470
Utah	17,403,746	17,849,072	253,244	297,587
	$ 33,180,397	$ 32,185,152	515,663	560,006

(1) Includes Vacant Land

Residential Real Estate Held for Investment

The Company owns a portfolio of residential homes primarily as a result of loan foreclosures. The strategy has been to lease these homes to produce cash flow, and allow time for the economic fundamentals to return to the various markets. Once the market for these homes return, the Company engages in the disposition of these assets at prices above the book value or at a discount far less than what would have been realized at the time of foreclosure.

The Company established Security National Real Estate Services ("SNRE") in 2013 to manage the residential portfolio. SNRE cultivates and maintains the preferred vendor relationships necessary to manage costs and quality of work performed on the portfolio of homes across the country.

As of December 31, 2015, SNRE manages 142 residential properties in 11 states across the United States which includes a newly constructed apartment complex, Dry Creek at East Village, in Sandy Utah.

2) Investments (Continued)

The following is a summary of the Company's investment in residential real estate for the periods presented:

	Net Ending Balance December 31 2015		Net Ending Balance December 31 2014	
Arizona	$ 944,614		$ 1,156,808	
California	6,158,253		8,119,757	
Colorado	553,230		751,825	
Florida	9,203,624		10,715,478	
Idaho	-		276,321	
Illinois	165,800		223,033	
Louisiana	-		323,570	
Mississippi	-		3,171	
Nebraska	-		77,247	
Oklahoma	99,862		198,486	
Oregon	120,000		1,018,245	
South Carolina	823,872		850,000	
Texas	1,198,860		1,815,373	
Utah	62,117,738	(1)	53,410,703	(2)
Washington	286,182		286,182	
	$ 81,672,035		$ 79,226,199	

(1) Includes Dry Creek at East Village - 274,000 square feet with a net book value of $36,676,404
(2) Includes Dry Creek at East Village - 74,000 square feet with a net book value of $22,855,164

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. Currently, the Company occupies nearly 70,000 square feet, or 13% of the overall commercial real estate holdings.

As of December 31, 2015, real estate owned and occupied by the company is summarized as follows:

Location	Business Segment	Approximate Square Footage	Square Footage Occupied by the Company
5300 South 360 West, Salt Lake City, UT (1)	Corporate Offices, Life Insurance and Cemetery/Mortuary Operations	36,000	100%
5201 Green Street, Salt Lake City, UT	Mortgage Operations	36,899	34%
3935 I-55 South Frontage Road, Jackson, MS (1)	Life Insurance Operations	12,300	100%

(1) These two assets are included in property and equipment on the Consolidated Balance Sheet

Mortgage Loans

Mortgage loans consist of first and second mortgages. The mortgage loans bear interest at rates ranging from 2.0 % to 10.5%, maturity dates range from three months to 30 years and are secured by real estate. Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their

2) Investments (Continued)

ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential mortgages, commercial loans and residential construction loans and requires collateral on all real estate exposures, a substantial portion of its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. At December 31, 2015, the Company has 51%, 14%, 10% and 8% of its mortgage loans from borrowers located in the states of Utah, California, Texas and Florida, respectively. The mortgage loans on real estate balances on the consolidated balance sheet are reflected net of an allowance for loan losses of $1,848,120 and $2,003,055 at December 31, 2015 and 2014, respectively.

The Company establishes a valuation allowance for credit losses in its portfolio. The following is a summary of the allowance for loan losses as a contra-asset account for the periods presented:

Allowance for Credit Losses and Recorded Investment in Mortgage Loans
Years Ended December 31

	Commercial	Residential	Residential Construction	Total
2015				
Allowance for credit losses:				
Beginning balance	$ 187,129	$ 1,715,812	$ 100,114	$ 2,003,055
Charge-offs	-	(123,942)	-	(123,942)
Provision	-	(30,993)	-	(30,993)
Ending balance	$ 187,129	$ 1,560,877	$ 100,114	$ 1,848,120
Ending balance: individually evaluated for impairment	$ -	$ 305,962	$ -	$ 305,962
Ending balance: collectively evaluated for impairment	$ 187,129	$ 1,254,915	$ 100,114	$ 1,542,158
Ending balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -
Mortgage loans:				
Ending balance	$ 33,522,978	$ 46,020,490	$ 34,851,557	$ 114,395,025
Ending balance: individually evaluated for impairment	$ -	$ 3,087,161	$ 93,269	$ 3,180,430
Ending balance: collectively evaluated for impairment	$ 33,522,978	$ 42,933,329	$ 34,758,287	$ 111,214,594
Ending balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -
2014				
Allowance for credit losses:				
Beginning balance	$ 187,129	$ 1,364,847	$ 100,114	$ 1,652,090
Charge-offs	-	(38,444)	-	(38,444)
Provision	-	389,409	-	389,409
Ending balance	$ 187,129	$ 1,715,812	$ 100,114	$ 2,003,055
Ending balance: individually evaluated for impairment	$ -	$ 153,446	$ -	$ 153,446
Ending balance: collectively evaluated for impairment	$ 187,129	$ 1,562,366	$ 100,114	$ 1,849,609
Ending balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -
Mortgage loans:				
Ending balance	$ 35,388,756	$ 53,592,433	$ 33,071,938	$ 122,053,127
Ending balance: individually evaluated for impairment	$ -	$ 1,556,182	$ 414,499	$ 1,970,681
Ending balance: collectively evaluated for impairment	$ 35,388,756	$ 52,036,251	$ 32,657,439	$ 120,082,446
Ending balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -

2) Investments (Continued)

The following is a summary of the aging of mortgage loans for the periods presented.

Age Analysis of Past Due Mortgage Loans

Years Ended December 31

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days 1)	In Foreclosure 1)	Total Past Due	Current	Total Mortgage Loans	Allowance for Loan Losses	Net Mortgage Loans
2015									
Commercial	$ -	$ -	$ -	$ -	$ -	$ 33,522,978	$ 33,522,978	$ (187,129)	$ 33,335,849
Residential	1,162,102	884,143	2,212,993	3,087,161	7,346,399	38,674,091	46,020,490	(1,560,877)	44,459,613
Residential Construction	-	-	64,895	93,269	158,164	34,693,393	34,851,557	(100,114)	34,751,443
Total	$ 1,162,102	$ 884,143	$ 2,277,888	$ 3,180,430	$ 7,504,563	$ 106,890,462	$ 114,395,025	$ (1,848,120)	$ 112,546,905
2014									
Commercial	$ -	$ -	$ -	$ -	$ -	$ 35,388,756	$ 35,388,756	$ (187,129)	$ 35,201,627
Residential	1,631,142	1,174,516	5,464,901	1,556,182	9,826,741	43,765,692	53,592,433	(1,715,812)	51,876,621
Residential Construction	-	-	64,895	414,499	479,394	32,592,544	33,071,938	(100,114)	32,971,824
Total	$ 1,631,142	$ 1,174,516	$ 5,529,796	$ 1,970,681	$ 10,306,135	$ 111,746,992	$ 122,053,127	$ (2,003,055)	$ 120,050,072

1) There was not any interest income recognized on loans past due greater than 90 days or in foreclosure.

2) Investments (Continued)

Impaired Mortgage Loans

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

Impaired Loans
Years Ended December 31

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2015					
With no related allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential	-	-	-	-	-
Residential construction	93,269	93,269	-	93,269	-
With an allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential	3,087,161	3,087,161	305,962	3,087,161	-
Residential construction	-	-	-	-	-
Total:					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential	3,087,161	3,087,161	305,962	3,087,161	-
Residential construction	93,269	93,269	-	93,269	-
2014					
With no related allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential	-	-	-	-	-
Residential construction	414,499	414,499	-	414,499	-
With an allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential	1,556,182	1,556,182	153,446	1,556,182	-
Residential construction	-	-	-	-	-
Total:					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential	1,556,182	1,556,182	153,446	1,556,182	-
Residential construction	414,499	414,499	-	414,499	-

Credit Risk Profile Based on Performance Status

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

2) Investments (Continued)

The Company's performing and non-performing mortgage loans were as follows:

Mortgage Loan Credit Exposure
Credit Risk Profile Based on Payment Activity
Years Ended December 31

	Commercial		Residential		Residential Construction		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Performing	$ 33,522,978	$ 35,388,756	$ 40,720,336	$ 46,571,350	$ 34,693,393	$ 32,592,544	$ 108,936,707	$ 114,552,650
Non-performing	-	-	5,300,154	7,021,083	158,164	479,394	5,458,318	7,500,477
Total	$ 33,522,978	$ 35,388,756	$ 46,020,490	$ 53,592,433	$ 34,851,557	$ 33,071,938	$ 114,395,025	$ 122,053,127

Non-Accrual Mortgage Loans

Once a loan is past due 90 days, it is the policy of the Company to end the accrual of interest income on the loan and write off any income that had been accrued. Interest not accrued on these loans totals $268,000 and $535,000 as of December 31, 2015 and 2014, respectively.

The following is a summary of mortgage loans on a non-accrual status for the periods presented.

Mortgage Loans on Non-accrual Status
Years Ended December 31

	2015	2014
Residential	$ 5,300,154	$ 7,021,083
Residential construction	158,164	479,394
Total	$ 5,458,318	$ 7,500,477

Principal Amounts Due

The amortized cost and contractual payments on mortgage loans on real estate and construction loans held for investment by category as of December 31, 2015 are shown below. Expected principal payments may differ from contractual obligations because certain borrowers may elect to pay off mortgage obligations with or without early payment penalties.

	Total	Principal Amounts Due in 2016	Principal Amounts Due in 2017-2020	Principal Amounts Due Thereafter
Residential	$ 46,020,490	$ 5,018,321	$ 12,625,406	$ 28,376,763
Residential Construction	34,851,557	29,806,506	5,045,051	-
Commercial	33,522,978	22,884,669	7,983,293	2,655,017
Total	$ 114,395,025	$ 57,709,496	$ 25,653,750	$ 31,031,779

Loan Loss Reserve

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

2) Investments (Continued)

The following is a summary of the loan loss reserve which is included in other liabilities and accrued expenses:

	December 31	
	2015	2014
Balance, beginning of period	$ 1,718,150	$ 5,506,532
Provisions for losses	6,295,043	3,053,403
Charge-offs and settlements	(5,207,293)	(6,841,785)
Balance, at December 31	$ 2,805,900	$ 1,718,150

The Company believes the loan loss reserve represents probable loan losses incurred as of the balance sheet date. Actual loan loss experience could change, in the near-term, from the established reserve based upon claims that could be asserted by third party investors. SecurityNational Mortgage believes there is potential to resolve any alleged claims by third party investors on acceptable terms. If SecurityNational Mortgage is unable to resolve such claims on acceptable terms, legal action may ensue. In the event of legal action by any third party investor, SecurityNational Mortgage believes it has significant defenses to any such action and intends to vigorously defend itself against such action.

3) Receivables

Receivables consist of the following:

	December 31	
	2015	2014
Trade contracts	$ 12,855,595	$ 12,166,838
Receivables from sales agents	3,280,423	1,951,677
Held in Escrow – Southern Security	245,088	278,331
Other	1,345,690	1,428,106
Total receivables	17,726,796	15,824,952
Allowance for doubtful accounts	(1,700,696)	(1,280,859)
Net receivables	$ 16,026,100	$ 14,544,093

4) Value of Business Acquired and Goodwill

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

	December 31	
	2015	2014
Balance at beginning of year	$ 8,547,627	$ 8,680,845
Value of business acquired	1,473,272	1,169,428
Imputed interest at 7%	590,108	591,412
Amortization	(1,867,234)	(1,894,058)
Net amortization charged to income	(1,277,126)	(1,302,646)
Balance at end of year	$ 8,743,773	$ 8,547,627

Presuming no additional acquisitions, net amortization charged to income is expected to approximate $1,199,000, $1,115,000, $1,037,000, $947,000, and $873,000 for the years 2016 through 2020. Actual amortization may vary based on changes in assumptions or experience. As of December 31, 2015, value of business acquired is being amortized over a weighted average life of 6.0 years.

4) Value of Business Acquired and Goodwill (Continued)

Information with regard to goodwill acquired is as follows:

	December 31		
	2015	2014	
Balance at beginning of year	$ 2,765,570	$ 677,039	
Goodwill acquired	-	2,373,722	(1)
Other	-	(285,191)	(2)
Balance at end of year	$ 2,765,570	$ 2,765,570	

(1) Goodwill acquired due to the acquisition of American Funeral Financial in 2014.
(2) Goodwill eliminated due to the sale of Paradise Chapel Funeral Home assets in 2014.

Goodwill is not amortized but tested annually for impairment. The annual impairment tests resulted in no impairment of goodwill.

5) Property and Equipment

The cost of property and equipment is summarized below:

	December 31	
	2015	2014
Land and buildings	$ 13,126,195	$ 11,904,100
Furniture and equipment	16,613,862	15,822,957
	29,740,057	27,727,057
Less accumulated depreciation	(18,298,397)	(16,419,343)
Total	$ 11,441,660	$ 11,307,714

Depreciation expense for the years ended December 31, 2015, 2014 and 2013 was $2,183,496, $2,177,165 and $1,621,069, respectively.

6) Bank and Other Loans Payable

Bank loans payable are summarized as follows:

	December 31	
	2015	2014
6.34% note payable in monthly installments of $13,556 including principal and interest, collateralized by real property with a book value of approximately $498,000, due November 2017.	$ 312,240	$ 466,937
2.50% note payable in monthly principal payments of $11,127 plus interest, collateralized by real property with a book value of approximately $5,815,000, due May 2016.	3,260,266	3,398,099
Mark to market of interest rate swaps (discussed below) adjustment	13,947	31,370
3.85% note payable in monthly installments of $79,468 including principal and interest, collateralized by shares of Security National Life Insurance Company stock, paid in full.	-	461,889
3.85% note payable in monthly installments of $86,059 including principal and interest, collateralized by shares of Security National Life Insurance Company stock, due January 2018.	2,062,512	2,994,999
4.40% note payable in monthly installments of $46,825 including principal and interest, collateralized by real property with a book value of approximately $11,989,000, due January 2026.	8,135,438	8,333,550
4.329% note payable in monthly installments of $9,775 including principal and interest, collateralized by real property with a book value of approximately $3,089,000, due September 2025.	2,020,993	-
2.75% above the 90 day LIBOR rate (3.1523% at December 31, 2015) construction and term loan payable, collateralized by real property with a book value of approximately $36,676,000, due October 2016.	24,933,346	13,085,189
Other collateralized bank loans payable	169,212	247,384
Other notes payable	961	961
Total bank and other loans	40,908,915	29,020,378
Less current installments	29,638,052	5,248,043
Bank and other loans, excluding current installments	$ 11,270,863	$ 23,772,335

During 2001, the Company entered into an interest rate swap instrument that effectively fixed the interest rate on the note payable at 6.34% per annum. Management considers the interest rate swap instrument an effective cash flow hedge against the variable interest rate on the bank note since the interest rate swap mirrors the term of the note payable and expires on the maturity date of the bank loan it hedges. The interest rate swap is a derivative financial instrument carried at its fair value.

In the event the swap is terminated, any resulting gain or loss would be deferred and amortized to interest expense over the remaining life of the bank loan it hedged. In the event of early extinguishment of the hedged bank loan, any realized or unrealized gain or loss from the hedging swap would be recognized in income coincident with the extinguishment.

6) Bank and Other Loans Payable (Continued)

At December 31, 2015 and 2014, the fair value of the interest rate swap was an unrealized loss of $13,947 and $31,370, respectively, and was computed based on the underlying variable Libor rate plus 1.65%, or 2.65% per annum. The unrealized loss resulted in a derivative liability of $13,947 and $31,370 and has been reflected in accumulated other comprehensive income. The change in accumulated other comprehensive income from the interest rate swap in 2015 and 2014 was $17,423 and $26,940, respectively. The fair value of the interest rate swap was derived from a proprietary model of the bank from whom the interest rate swap was purchased and to whom the note is payable.

The Company has a $2,000,000 revolving line-of-credit with a bank with interest payable at the prime rate minus .75% (2.75% at December 31, 2015), secured by the capital stock of Security National Life and maturing June 30, 2016, renewable annually. At December 31, 2015, the Company was contingently liable under a standby letter of credit aggregating $576,776, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's captive insurance program. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid. As of December 31, 2015, there were no amounts outstanding under the revolving line-of-credit.

The Company has a $15,000,000 revolving line-of-credit with a bank with interest payable at the variable overnight Libor rate plus 2% (2.375% at December 31, 2015), secured by bond investments of the Company and maturing June 30, 2016. At December 31, 2015, the Company was contingently liable under a standby letter of credit aggregating $48,220, issued as a security deposit to guarantee payment of final bills for electric and gas utility services for a commercial real estate property owned by the Company in Wichita, Kansas. As of December 31, 2015, there were no amounts outstanding under the revolving line-of-credit.

The Company has a $2,150,000 revolving line-of-credit with a bank with interest payable at the prime rate plus 1.25% (4.75% at December 31, 2015), secured by the capital stock of Security National Life and maturing June 30, 2016. At December 31, 2015, SecurityNational Mortgage was contingently liable under a standby letter of credit aggregating $1,250,000, to be used as collateral to cover any contingency relating to claims filed in states where SecurityNational Mortgage is licensed. The Company does not expect any material losses to result from the issuance of the standby letter of credit. As of December 31, 2015, there were no amounts outstanding under the revolving line-of-credit.

The Company has an $8,700,000 revolving line-of-credit with a bank with interest payable at the prime rate plus 2.50% (6.00% at December 31, 2015), secured by real estate and maturing June 30, 2016. As of December 31, 2015, there were no amounts outstanding under the revolving line-of-credit.

The following tabulation shows the combined maturities of bank loans payable, lines of credit and notes and contracts payable:

2016	$ 29,638,052
2017	1,451,815
2018	372,668
2019	286,967
2020	298,283
Thereafter	8,861,130
Total	$ 40,908,915

Interest paid approximated interest expense in 2015, 2014 and 2013, which was $4,458,612, $2,994,429 and $2,853,701, respectively.

7) Cemetery and Mortuary Endowment Care and Pre-need Merchandise Funds

The Company is required by state law to pay into perpetual care trusts a portion of the proceeds from the sale of cemetery property interment rights. The related cemetery perpetual care trusts are defined as variable interest entities pursuant to generally accepted accounting principles. Also, management has determined that the Company is the primary beneficiary of these trusts, as it absorbs both a majority of the losses and returns associated with the trusts. The Company has consolidated cemetery perpetual care trust investments with a corresponding amount recorded as Cemetery Perpetual Care Obligation in the accompanying consolidated balance sheets.

The components of the cemetery perpetual care obligation are as follows:

	December 31	
	2015	2014
Trust investments, at market value	$ 2,848,759	$ 2,645,423
Note receivables from Cottonwood Mortuary Singing Hills Cemetery and Memorial Estates eliminated in consolidation	1,780,618	1,847,892
Total trust assets	4,629,377	4,493,315
Cemetery perpetual care obligation	(3,465,771)	(3,406,718)
Fair value of trust assets in excess of trust obligations	$ 1,163,606	$ 1,086,597

The Company has established and maintains certain restricted trust investments to provide for future merchandise and service obligations incurred in connection with its pre-need sales. Also included in cash and cash equivalents are escrows held for borrowers under servicing agreements relating to mortgage loans, funds held by warehouse banks in accordance with loan purchase agreements and funds held in escrow for the construction of a 282-unit multifamily development in Sandy City, Utah.

Assets in the restricted asset account are summarized as follows:

	December 31	
	2015	2014
Cash and cash equivalents	$ 7,206,863	$ 7,274,685
Mutual funds	596,994	627,154
Fixed maturity securities	8,775	8,775
Equity securities	89,450	88,048
Participating in mortgage loans with Security National Life	1,457,720	1,349,135
Total	$ 9,359,802	$ 9,347,797

A surplus note receivable in the amount of $4,000,000 at December 31, 2015 and 2014, from Security National Life, was eliminated in consolidation.

8) Income Taxes

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

	December 31 2015	December 31 2014
Current	$ (215,366)	$ (333,350)
Deferred	25,267,425	20,755,117
Total	$25,052,059	$20,421,767

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

	December 31 2015	December 31 2014
Assets		
Future policy benefits	$ (8,023,302)	$ (6,856,001)
Loan loss reserve	(1,163,700)	(670,078)
Unearned premium	(1,610,684)	(1,687,059)
Available for sale securities	(150,984)	(125,797)
Net operating loss	(588,537)	(1,738,137)
Deferred compensation	(1,994,927)	(1,279,860)
Deposit obligations	(1,026,984)	(1,018,313)
Other	(2,242,029)	(1,398,152)
Less: Valuation allowance	5,276,431	5,276,431
Total deferred tax assets	(11,524,716)	(9,496,966)
Liabilities		
Deferred policy acquisition costs	14,838,604	12,271,954
Basis difference in property and equipment	9,375,146	7,049,551
Value of business acquired	2,972,883	2,906,193
Deferred gains	6,902,888	5,472,003
Trusts	1,599,657	1,599,657
Tax on unrealized appreciation	1,102,963	952,725
Total deferred tax liabilities	36,792,141	30,252,083
Net deferred tax liability	$25,267,425	$20,755,117

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

The valuation allowance decreased $-0- and $316,632 during 2015 and 2014, respectively.

The Company paid $2,716,161, $408,939 and $4,009,598 in income taxes for 2015, 2014 and 2013, respectively.

8) Income Taxes (Continued)

The Company's income tax expense (benefit) is summarized as follows for the years ended December 31:

	2015	2014	2013
Current			
Federal	$ 2,423,846	$ 1,532,539	$ 1,564,311
State	412,175	121,124	257,228
	2,836,021	1,653,663	1,821,539
Deferred			
Federal	4,001,873	2,677,319	399,919
State	360,791	395,323	16,348
	4,362,664	3,072,642	416,267
Total	$ 7,198,685	$ 4,726,305	$ 2,237,806

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

	2015	2014	2013
Computed expense at statutory rate	$ 6,739,332	$ 4,243,524	$ 3,340,067
State tax expense, net of federal tax benefit	510,158	340,855	180,560
Tax audit settlements	-	-	20,371
Other, net	(50,805)	141,926	(1,303,192)
Tax expense (benefit)	$ 7,198,685	$ 4,726,305	$ 2,237,806

At December 31, 2015, the Company had no significant unrecognized tax benefits. As of December 31, 2015, the Company does not expect any material changes to the estimated amount of unrecognized tax benefits in the next twelve months. Federal and state income tax returns for 2012 through 2015 are subject to examination by taxing authorities. An examination of the Company's 2012 federal income tax return was concluded without adjustment.

9) Reinsurance, Commitments and Contingencies

Reinsurance

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from $25,000 to $100,000 during the years 2015 and 2014. The Company is liable for these amounts in the event such reinsurers are unable to pay their portion of the claims. The Company has also assumed insurance from other companies having insurance in force amounting to approximately $2,110,480,000 (unaudited) and approximately $1,462,340,000 (unaudited) at December 31, 2015 and 2014, respectively.

Reinsurance Agreement with North America Life Insurance Company

On May 8, 2015, the Company, through its wholly owned subsidiary, Security National Life, signed a paid-up business offer under the coinsurance agreement effective December 1, 2010 to reinsure certain life insurance policies from North America Life Insurance Company ("North America Life"). Pursuant to the paid-up business offer, North America Life ceded and transferred to Security National Life all contractual obligations and risks under the coinsured policies. Security National Life paid a ceding commission to North America Life in the amount of $281,908. As a result of the ceding commission, North America Life transferred $8,900,282 of cash and $9,182,190 in statutory reserves, or liabilities, to Security National Life.

9) Reinsurance, Commitments and Contingencies (Continued)

Reinsurance Agreement with American Republic Insurance Company

On February 11, 2015, the Company, through its wholly owned subsidiary, Security National Life, signed a coinsurance agreement to reinsure certain life insurance policies from American Republic Insurance Company ("American Republic"). The policies were previously reinsured by North America Life under a coinsurance agreement between World Insurance Company ("World Insurance") and North America Life entered into on July 22, 2009 which was commuted. World Insurance was subsequently purchased by and merged into American Republic. The current coinsurance agreement is between Security National Life and American Republic and became effective on January 1, 2015. As part of the coinsurance agreement, American Republic transferred all contractual obligations and risks to Security National Life and Security National Life took control of $15,004,771 of assets in a trust account held by Texas Capital Bank as the trustee.

Reinsurance Agreement with LJA Insurance Company

On December 19, 2014, the Company entered into a Coinsurance Funds Withheld Reinsurance Agreement with LJA Insurance Company ("LJA Insurance"), a Republic of the Marshall Islands domiciled insurance company. This agreement was effective November 1, 2014. Under the terms of the funds withheld agreement, the Company ceded to LJA Insurance 100% of three blocks of deferred annuities in the amount of $4,337,000 and retained the assets and recorded a funds held under coinsurance liability for the same amount. LJA Insurance agreed to pay the Company an initial ceding commission of $60,000 and an asset management fee of $16,000 per quarter to administer the policies. The Company will also receive a 90% experience refund for any profits from the business. The Company has the right to recapture the business by giving LJA Insurance 90 days written notice, or it may be terminated by mutual consent of both parties.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate; however, management believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate potential losses on loans sold. The amounts expensed for loan losses in years ended December 31, 2015 and 2014 were $6,295,000 and $3,053,000, respectively. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2015 and 2014, the balances were $2,806,000 and $1,718,000, respectively.

Inquiry Regarding FHA Insured Loans

SecurityNational Mortgage has been cooperating with the U.S. Department of Justice and the Office of the Inspector General for the Department of Housing and Urban Development (HUD) in a civil investigation regarding compliance with requirements relating to certain loans insured by the Federal Housing Administration (FHA). No demand has been made and SecurityNational Mortgage has not established a liability for this matter absent a specific demand because it is not able to estimate a range of reasonably potential loss due to significant uncertainties regarding: the absence of any specific demand, the potential remedies, including possible defenses, and the lack of information concerning the performance of its FHA insured originations, the majority of which SecurityNational Mortgage does not service. The investigation has focused on loans originated by SecurityNational Mortgage on or after January 1, 2006. The FHA mortgage loans that SecurityNational Mortgage originated between January 1, 2006 and May 21, 2013 total approximately 45,900 loans with an original principal balance of approximately $7.9 billion.

Mortgage Loan Loss Litigation

Lehman Brothers and Aurora Loan Services Litigation - Utah

On April 15, 2005, SecurityNational Mortgage entered into a Loan Purchase Agreement with Lehman Brothers Bank, FSB ("Lehman Bank"), which agreement incorporated a Seller's Guide. Pursuant to the Loan Purchase Agreement, Lehman Bank purchased mortgage loans from time to time from SecurityNational Mortgage. Lehman Bank asserted that certain of the mortgage loans that it purchased several years ago from SecurityNational

9) Reinsurance, Commitments and Contingencies (Continued)

Mortgage contained alleged misrepresentations and early payment defaults. As a result, Lehman Bank contended it had the right to require SecurityNational Mortgage to repurchase certain loans or be liable for losses related to such Loans under the Loan Purchase Agreement. SecurityNational Mortgage disagreed with these claims.

On December 17, 2007, SecurityNational Mortgage entered into an Indemnification Agreement with Lehman Bank and Aurora Loan Services. Under the terms of the Indemnification Agreement, SecurityNational Mortgage agreed to indemnify Lehman Bank and Aurora Loan Services for 75% of actual losses, as defined, that Lehman Bank and Aurora Loan Services may incur on account of the breaches pertaining to certain identified loans. The Indemnification Agreement also required SecurityNational Mortgage to indemnify Lehman Bank and Aurora Loan Services for 100% of any future actual losses, as defined, incurred on mortgage loans with breaches not covered by the 75% provision. A reserve account was set up for covering said losses.

In addition to initial payments into the reserve account, SecurityNational Mortgage was to pay to Aurora Loan Services each calendar month the difference between the reserve account balance and $645,000, but in no event would SecurityNational Mortgage be required to make payments into the reserve account in excess of $125,000 for any calendar month. Since the time the reserve account was established, approximately $4,300,000 was taken from the reserve account to indemnify Lehman Bank and Aurora Loan Services for alleged losses. On March 28, 2011 Lehman Bank and Aurora Loan Services assigned certain rights and remedies under the Indemnification Agreement to Lehman Brothers Holdings Inc. ("Lehman Holdings").

On May 11, 2011, SecurityNational Mortgage filed a complaint against Aurora Bank FSB (formerly known as Lehman Bank) and Aurora Loan Services in the United States District Court, Utah, which was assigned to Judge David Nuffer. The allegations in the complaint include breach of the Indemnification Agreement. SecurityNational Mortgage claimed it was entitled to a judgment of approximately $4,000,000 against Lehman Bank, as well as Aurora Loan Services to the extent of its involvement, for payments which should not have been taken from the reserve account.

On June 8, 2011, Lehman Holdings, which had filed for bankruptcy in September 2008, filed a complaint in the United States District Court, Utah against SecurityNational Mortgage. The case was assigned to Judge Ted Stewart. The complaint alleged claims for damages for breach of contract and breach of warranty pursuant to the Loan Purchase Agreement, and initially claimed damages in excess of $5,000,000. Lehman Holdings further alleged that Lehman Bank sold mortgage loans to it and assigned the contractual rights. SecurityNational Mortgage strongly disagreed with the claims in Lehman Holdings' complaint.

Discovery was completed in the two foregoing lawsuits. On December 24, 2014, Judge Nuffer issued an amended order granting SecurityNational Mortgage's motion for summary judgment against Lehman Bank and Aurora Loan Services for $3,892,974, plus prejudgment interest at 9% per annum. The total amount of prejudgment interest awarded was $1,674,240 through May 31, 2014, with a per diem of $960 for each day after May 31, 2014 until final judgment. The court also indicated that further replenishment of the reserve account under the Indemnification Agreement appeared to be barred by a waiver, but that this issue had not been briefed.

Additionally, the court stated that the offset that Lehman Bank and Aurora Loan Services pled as an affirmative defense had not yet been adjudicated by the court. SecurityNational Mortgage asserts that Lehman Bank and Aurora Loan Services have no rights to a replenishment of the Indemnification Agreement reserve account, or for any offset. On March 30, 2015, SecurityNational Mortgage filed a response in opposition to the partial summary judgment motion of Lehman Bank and Aurora Loan Services concerning the reserve account replenishment and offset; SecurityNational Mortgage also filed its own partial summary judgment motion on the same issues. These motions are currently under advisement.

On April 21, 2015, Judge Stewart issued a memorandum decision and order denying SecurityNational Mortgage's motion for summary judgment against Lehman Holdings in the Lehman Holdings case. On January 16, 2015, SecurityNational Mortgage filed a separate motion for summary judgment against Lehman Holdings based on the statute of limitations. Because certain cases that arose in Colorado were pending before the United States Court of Appeals for the Tenth Circuit concerning statute of limitations issues involving Lehman Holdings, Judge Stewart

9) Reinsurance, Commitments and Contingencies (Continued)

inquired at a hearing as to whether his ruling on SecurityNational Mortgage's motion should be held in abeyance until a ruling is rendered by the Tenth Circuit. The parties agreed to an abeyance and Judge Stewart issued an order on May 11, 2015 postponing his ruling.

On January 27, 2016, the Tenth Circuit entered its order and judgment concerning the five cases before it upholding rulings of the U.S. District Court, Colorado dismissing the cases filed by Lehman Holdings with prejudice. Pursuant to an order from Judge Stewart, SecurityNational Mortgage and Lehman Holdings filed supplemental briefs on March 3, 2016 pertaining to SecurityNational Mortgage's summary judgment motion in view of the ruling of the Tenth Circuit. On March 23, 2016, the court denied SecurityNational Mortgage's motion based on a certain tolling provision in one of the agreements.

Lehman Brothers Litigation – Delaware and New York

In January 2014, Lehman Holdings entered into a settlement with the Federal National Mortgage Association (Fannie Mae) concerning the mortgage loan claims asserted by Fannie Mae against Lehman Holdings that were allegedly based on breaches of certain representations and warranties by Lehman Holdings. Lehman Holdings had acquired these loans from Lehman Bank, which in turn purchased the loans from residential mortgage loan originators, including SecurityNational Mortgage. A settlement based on similar circumstances was entered into between Lehman Holdings and the Federal Home Loan Mortgage Corporation (Freddie Mac) in February 2014. As a result of the Fannie Mae and Freddie Mac settlements, Lehman Holdings filed a motion in May 2014 with the U.S. Bankruptcy Court of the Southern District of New York to require the mortgage loan originators, including SecurityNational Mortgage, to engage in mediation, a nonbinding alternative dispute resolution process, as Lehman Holdings asserted alleged indemnification claims against the mortgage loan originators.

The mediation was not successful in resolving the potential issues between SecurityNational Mortgage and Lehman Holdings relative to the Fannie Mae and Freddie Mac settlements with Lehman Holdings. On January 26, 2016, SecurityNational Mortgage filed a declaratory judgment action against Lehman Holdings in the Superior Court for the State of Delaware. In the Delaware action, SecurityNational Mortgage asserted its right to obtain a declaration of rights in that there is allegedly millions of dollars in dispute with Lehman Holdings pertaining to approximately 136 loans. SecurityNational Mortgage seeks declaratory judgment as to its rights as it contends that it has no liability to Lehman Holdings as a result of Lehman Holdings' settlements with Fannie Mae and Freddie Mac.

On February 3, 2016, Lehman Holdings filed an adversary proceeding against approximately 150 parties, including SecurityNational Mortgage, in the U.S. Bankruptcy Court of the Southern District of New York seeking a declaration of rights similar in nature to the declaration of rights that SecurityNational Mortgage seeks in its Delaware lawsuit, and for damages relating to the defendants' obligations under indemnification provisions of the alleged agreements in an amount to be determined at trial, including interest, and attorneys' fees and related costs incurred by Lehman Holdings in enforcing the obligations of the defendants. The complaint filed on February 3, 2016 was not served on SecurityNational Mortgage and an amended complaint materially similar to the original complaint was filed March 7, 2016. As with SecurityNational Mortgage's Delaware action, and although SecurityNational Mortgage has not yet filed a response to the amended complaint, SecurityNational Mortgage denies that it has any liability to Lehman Holdings and intends to vigorously protect and defend such position.

9) Reinsurance, Commitments and Contingencies (Continued)

Non-Cancelable Leases

The Company leases office space and equipment under various non-cancelable agreements, with remaining terms up to five years. Minimum lease payments under these non-cancelable operating leases as of December 31, 2015, are approximately as follows:

Years Ending December 31	
2016	$ 5,447,528
2017	4,520,592
2018	2,493,007
2019	1,036,826
2020	218,923
Total	$ 13,716,876

Total rent expense related to non-cancelable operating leases for the years ended December 31, 2015, 2014, and 2013 was approximately $7,199,000, $5,589,000 and $4,307,000, respectively.

Other Contingencies and Commitments

The Company has entered into commitments to fund new residential construction loans. As of December 31, 2015, the Company's commitments were $61,067,000, for these loans of which $34,852,000 had been funded. The Company will advance funds once the work has been completed and an independent inspection is made. The maximum loan commitment ranges between 50% and 80% of appraised value. The Company receives fees from the borrowers and the interest rate is generally 2% to 6.75% over the bank prime rate (3.50% as of December 31, 2015). Maturities range between six and twelve months.

The Company belongs to a captive insurance group for certain casualty insurance, worker compensation and liability programs. Insurance reserves are maintained relative to these programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverage. When estimating the insurance liabilities and related reserves, the captive insurance management considers a number of factors, which include historical claims experience, demographic factors, severity factors and valuations provided by independent third-party actuaries. If actual claims or adverse development of loss reserves occurs and exceed these estimates, additional reserves may be required. The estimation process contains uncertainty since captive insurance management must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date. At December 31, 2015, $834,855 of reserves was established related to such insurance programs versus $929,417 at December 31, 2014.

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

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.

10) Retirement Plans

The Company and its subsidiaries have a noncontributory Employee Stock Ownership Plan (ESOP) for all eligible employees. Eligible employees are primarily those with more than one year of service, who work in excess of 1,000 hours per year. Contributions, which may be in cash or stock of the Company, are determined annually by the Board of Directors.

The Company's contributions are allocated to eligible employees based on the ratio of each eligible employee's compensation to total compensation for all eligible employees during each year. The Company did not make any contributions for 2015, 2014 and 2013. At December 31, 2015, the ESOP held 554,845 shares of Class A and 252,974 shares of Class C common stock of the Company. All shares held by the ESOP have been allocated to the participating employees and all shares held by the ESOP are considered outstanding for purposes of computing earnings per share.

The Company has three 401(k) savings plans covering all eligible employees, as defined above, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plans allow participants to make pretax contributions up to a maximum of $18,000, $17,500 and $17,000 for the years 2015, 2014 and 2013, respectively or the statutory limits.

Beginning January 1, 2008, the Company elected to be a "Safe Harbor" Plan for its matching 401(k) contributions. The Company matched 100% of up to 3% of an employee's total annual compensation and matched 50% of 4% to 5% of an employee's annual compensation. The match was in Company stock. The Company's contribution for 2015, 2014 and 2013 was $1,197,236, $808,572 and $749,898, respectively under the "Safe Harbor" plan.

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Board has appointed a Committee of the Company to be the Plan Administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company did not make any contributions for 2015, 2014 and 2013.

The Company had a deferred compensation agreement with its past Chief Executive Officer. The deferred compensation was payable on the retirement or death of this individual either in annual installments over 10 years or in a lump sum settlement, if approved by the Board of Directors. The amount to be paid was $60,000 per year with cost of living adjustments each anniversary. The compensation agreement also provided that any remaining balance would be paid to his heirs in the event of his death. In 2014, the Board of Directors approved a lump sum for the payment of $598,426, which represented a full and final payment.

10) Retirement Plan (Continued)

On July 16, 2004, the Company entered into an employment agreement with Scott M. Quist, the Chairman of the Board, President and Chief Executive Officer. The agreement is effective as of December 4, 2003 and has a five-year term, but the Company has agreed to renew the agreement on December 4, 2008 and 2013 for additional five-year terms, provided Mr. Quist performs his duties with usual and customary care and diligence. Under the terms of the agreement, Mr. Quist is to devote his full time to the Company serving as its Chairman of the Board, President, and Chief Executive Officer at not less than his current salary and benefits. The Company also agrees to maintain a group term life insurance policy of not less than $1,000,000 on Mr. Quist’s life and a whole life insurance policy in the amount of $500,000 on Mr. Quist’s life. In the event of disability, Mr. Quist’s salary would be continued for up to five years at 75% of its current level.

In the event of a sale or merger of the Company and Mr. Quist is not retained in his current position, the Company would be obligated to continue Mr. Quist’s current compensation and benefits for seven years following the merger or sale. The agreement further provides that Mr. Quist is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 65), (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of twenty years in annual installments in the amount equal to 75% of his then current rate of compensation. However, in the event that Mr. Quist dies prior to receiving all retirement benefits there under, the remaining benefits are to be paid to his heirs. The Company expensed $999,961, $833,183 and $264,000 in fiscal 2015, 2014 and 2013, respectively, to cover the present value of anticipated retirement benefits under the employment agreement. The liability accrued is $3,264,925 and $2,270,425 as of December 31, 2015 and 2014, respectively.

On December 31, 2015, J. Lynn Beckstead, Jr., who served as Vice President of Mortgage Operations and President of SecurityNational Mortgage, retired from the Company. Under the terms of the employment agreement that the Company, through its wholly owned subsidiary, SecurityNational Mortgage, had entered into with Mr. Beckstead, Mr. Beckstead is entitled to receive retirement benefits from the Company for a period of ten years in an amount equal to 50% of his current rate of compensation at the time of his retirement, which was $267,685 for the year ended December 31, 2015. Such retirement payments will be made during the ten year period at regular Company pay periods. In determining Mr. Beckstead’s current rate of compensation, stock option grants and incentive or similar bonuses are not included. In the event Mr. Beckstead dies prior to receiving all of his retirement benefits under his employment agreement, the remaining benefits will be made to his heirs. The Company expensed $320,039, $154,817 and $-0- in fiscal 2015, 2014 and 2013, respectively, to cover the present value of the retirement benefits under the employment agreement. The liability accrued was $1,093,720 and $768,220 as of December 31, 2015 and 2014, respectively.

11) Capital Stock

The Company has two classes of common stock with shares outstanding, Class A common shares and Class C common shares. Class C shares have 10 votes per share on all matters except for the election of one third of the directors who are elected solely by the Class A shares. Class C shares are convertible into Class A shares at any time on a one to one ratio. The decrease in treasury stock was the result of treasury stock being used to fund the company’s 401(k) and Deferred Compensation Plans.

Stockholders of both classes of common stock have received 5% stock dividends in the years 1990 through 2015, as authorized by the Company’s Board of Directors.

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

On July 2, 2014, the stockholders approved a 1-for-10 reverse stock split of the Company’s Class C common stock at the Annual Meeting of Stockholders. Concurrently with the approval of the reverse stock split, the stockholders also approved amendments to Article V of the Company’s Articles of Incorporation to provide that each share of Class C common stock will have weighted voting of ten votes per share and that each share of Class C common stock may be converted into one share of Class A common stock. The Board of Directors had previously approved the reverse stock split and weighted voting of Class C common stock. Prior to the approval of the reverse stock split and weighted voting of Class C shares, the Company’s Articles of Incorporation provided that each share of Class C common stock had one vote per share and that Class C common shares were convertible into Class A common shares at a conversion ratio of ten shares of Class C common stock for one share of Class A common stock.

The reverse stock split and weighted voting of the Company's Class C common stock became effective on August 1, 2014, when the Articles of Restatement and Amendment to the Company's Articles of Incorporation were filed with the Utah Division of Corporations and Commercial Code. The reverse stock split affected all of the holders of the Company's Class C common stock uniformly but did not affect any Class C stockholder's percentage ownership interest in the Company or proportionate voting power, except for insignificant changes that resulted from the rounding up of fractional shares. Additionally, the reverse stock split did not impact the existing shares of Class A common stock.

11) Capital Stock (Continued)

The following table summarizes the activity in shares of capital stock for the three-year period ended December 31, 2015:

	Class A	Class C (1)
Balance at December 31, 2012	10,843,576	1,097,410
Exercise of stock options	359,786	211,211
Stock dividends	562,152	63,342
Conversion of Class C to Class A	41,773	(41,773)
Balance at December 31, 2013	11,807,287	1,330,191
Exercise of stock options	54,412	-
Stock dividends	595,020	66,384
Reverse stock split true up	-	15
Conversion of Class C to Class A	2,521	(2,521)
Balance at December 31, 2014	12,459,240	1,394,069
Exercise of stock options	23,961	241,652
Stock dividends	624,483	75,335
Conversion of Class C to Class A	1,416	(1,416)
Balance at December 31, 2015	13,109,100	1,709,640

(1) Class C shares have been retroactively adjusted for the effect of the 1-for-10 reverse stock split that was approved by the stockholders in 2014.

Earnings per share amounts have been retroactively adjusted for the effect of annual stock dividends. In accordance with accounting principles generally accepted in the United States of America, the basic and diluted earnings per share amounts were calculated as follows:

	2015	2014	2013
Numerator:			
Net earnings	$ 12,622,880	$ 7,754,648	$ 7,585,921
Denominator:			
Denominator for basic earnings per share-weighted-average shares	13,722,201	13,176,187	13,023,473
Effect of dilutive securities			
Employee stock options	488,151	429,729	646,324
Dilutive potential common shares	488,151	429,729	646,324
Denominator for diluted earnings (loss) per share-adjusted weighted-average shares and assumed conversions	14,210,352	13,605,916	13,669,797
Basic earnings per share	$0.92	$0.59	$0.58
Diluted earnings per share	$0.89	$0.57	$0.55

12) Stock Compensation Plans

The Company has four fixed option plans (the "2003 Plan", the "2006 Director Plan", the "2013 Plan" and the "2014 Director Plan"). Compensation expense for options issued of $387,608, $391,220 and $88,369 has been recognized under these plans for 2015, 2014 and 2013, respectively. As of December 31, 2015, the total unrecognized compensation expense related to the options issued in December 2015 was $312,589, which is expected to be recognized over the vesting period of one year.

The weighted-average fair value of each option granted in 2015 under the 2013 Plan and the 2014 Director Plan, is estimated at $1.61 for the December 4, 2015 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 43.15%, risk-free interest rate of 1.83%, and an expected term of 5.32 years.

The weighted-average fair value of each option granted in 2015 under the 2014 Director Plan, is estimated at $1.61 for the December 7, 2015 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 43.11%, risk-free interest rate of 1.80%, and an expected term of 5.32 years.

The weighted-average fair value of each option granted in 2014 under the 2013 Plan, is estimated at $1.74 for the July 2, 2014 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 57.77%, risk-free interest rate of 1.79%, and an expected term of 5.32 years.

The weighted-average fair value of each option granted in 2014 under the 2013 Plan and the 2014 Director Plan, is estimated at $1.56 for the December 5, 2014 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 52.31%, risk-free interest rate of 1.69%, and an expected term of 5.31 years.

The weighted-average fair value of each option granted in 2014 under the 2014 Director Plan, is estimated at $1.56 for the December 7, 2014 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 52.27%, risk-free interest rate of 1.76%, and an expected term of 5.31 years.

The weighted-average fair value of each option granted in 2013 under the 2013 Plan and the 2006 Director Plan, is estimated at $1.96 for the December 5, 2013 and December 7, 2013 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 67.93%, risk-free interest rate of 1.68%, and an expected term of 5.31 years.

The Company generally estimates the expected life of the options based upon the contractual term of the options adjusted for actual experience. Future volatility is estimated based upon the weighted historical volatility of the Company's Class A common stock and three peer company stocks over a period equal to the estimated life of the options. Common stock issued upon exercise of stock options are generally new share issuances rather than from treasury shares.

12) Stock Compensation Plans (Continued)

Activity of the stock option plans is summarized as follows:

	Number of Class A Shares	Weighted Average Exercise Price	Number of Class C Shares	Weighted Average Exercise Price
Outstanding at December 31, 2012	972,253	$ 2.07	583,851	$ 2.18
Adjustment for the effect of stock dividends	17,962		24,222	
Granted	81,960		50,000	
Exercised	(485,366)		(190,602)	
Cancelled	(76,676)		(63,814)	
Reclass from A to C	(105,000)		105,000	
Outstanding at December 31, 2013	405,133	$ 2.41	508,657	$ 2.00
Adjustment for the effect of stock dividends	24,446		32,934	
Granted	173,500		150,000	
Exercised	(59,713)		-	
Cancelled	(30,571)		-	
Outstanding at December 31, 2014	512,795	$ 3.20	691,591	$ 2.54
Adjustment for the effect of stock dividends	29,335		27,497	
Granted	133,500		100,000	
Exercised	(26,850)		(241,652)	
Cancelled	(30,519)		-	
Outstanding at December 31, 2015	618,261	$ 3.89	577,436	$ 3.54
Exercisable at end of year	478,086	$ 3.16	472,436	$ 2.77
Available options for future grant	454,842		57,750	
Weighted average contractual term of options outstanding at December 31, 2015	7.67 years		2.75 years	
Weighted average contractual term of options exercisable at December 31, 2015	7.01 years		2.27 years	
Aggregated intrinsic value of options outstanding at December 31, 2015 (1)	$1,473,046		$1,639,692	
Aggregated intrinsic value of options exercisable at December 31, 2015 (1)	$1,473,046		$1,639,692	

(1) The Company used a stock price of $6.24 as of December 31, 2015 to derive intrinsic value.

The total intrinsic value (which is the amount by which the fair value of the underlying stock exceeds the exercise price of an option on the exercise date) of stock options exercised during the years ended December 31, 2015 and 2014 was $1,190,879 and $173,650, respectively.

13) Statutory Financial Information and Dividend Limitations

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

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

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

	Net Income			Capital and Surplus	
	2015	2014	2013	2015	2014
Amounts by insurance subsidiary:					
Security National Life Insurance Company	$ 3,478,338	$ 5,137,208	$ 1,283,311	$ 32,771,066	$ 34,356,157
Memorial Insurance Company of America	49	415	237	1,082,059	1,082,587
Southern Security Life Insurance Company, Inc.	491	467	1,288	1,590,605	1,590,424
Trans-Western Life Insurance Company	(52)	1,304	1,906	499,130	499,182
Total	$ 3,478,826	$ 5,139,394	$ 1,286,742	$ 35,942,860	$ 37,528,350

The Utah, Arkansas, Mississippi and Texas Insurance Departments impose minimum risk-based capital requirements ("RBC") that were developed by the NAIC on insurance enterprises. The formulas for determining the RBC specify various factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio (the "Ratio") of the enterprise's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The life insurance subsidiaries have a combined weighted Ratio that is greater than the first level of regulatory action as of December 31, 2015.

Generally, the net assets of the life insurance subsidiaries available for transfer to the Company are limited to the amounts of the life insurance subsidiaries net assets, as determined in accordance with statutory accounting practices, which were $35,942,860 at December 31, 2015, exceed minimum statutory capital requirements; however, payments of such amounts as dividends are subject to approval by regulatory authorities.

14) Business Segment Information

Description of Products and Services by Segment

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

Measurement of Segment Profit or Loss and Segment Assets

The accounting policies of the reportable segments are the same as those described in the Significant Accounting Principles. Intersegment revenues are recorded at cost plus an agreed upon intercompany profit, and are eliminated upon consolidation.

Factors Management Used to Identify the Enterprise's Reportable Segments

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

14) Business Segment Information (Continued)

	2015				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 58,883,721	$ 11,502,045	$ 171,849,594	$ -	$ 242,235,360
Net investment income	25,297,486	450,854	8,259,564	-	34,007,904
Realized gains (losses) on investments and other assets	2,332,456	387,316	(318,413)	-	2,401,359
Other than temporary impairments	(413,714)	-	(191,716)	-	(605,430)
Other revenues	824,759	146,831	4,150,217	-	5,121,807
Intersegment revenues:					
Net investment income	7,615,338	1,155,180	326,822	(9,097,340)	-
Total revenues	94,540,046	13,642,226	184,076,068	(9,097,340)	283,161,000
Expenses:					
Death and other policy benefits	33,549,893	-	-	-	33,549,893
Increase in future policy benefits	17,212,001	-	-	-	17,212,001
Amortization of deferred policy and preneed acquisition costs and value of business acquired	5,306,781	334,512	-	-	5,641,293
Depreciation	710,733	403,066	1,069,697	-	2,183,496
General, administrative and other costs:					
Intersegment	-	156,777	199,244	(356,021)	-
Provision for loan losses	-	-	6,295,043	-	6,295,043
Costs related to funding mortgage loans	-	-	8,864,404	-	8,864,404
Other	27,416,860	10,117,012	147,600,822	(1)	185,134,693
Interest expense:					
Intersegment	726,919	1,379,668	6,634,731	(8,741,318)	-
Other	1,151,860	337,632	2,969,120	-	4,458,612
Total benefits and expenses	86,075,047	12,728,667	173,633,061	(9,097,340)	263,339,435
Earnings before income taxes	$ 8,464,999	$ 913,559	$ 10,443,007	$ -	$ 19,821,565
Income tax expense	(3,138,929)	-	(4,059,756)	-	(7,198,685)
Net earnings	$ 5,326,070	$ 913,559	$ 6,383,251	$ -	$ 12,622,880
Identifiable assets	$ 721,362,741	$ 101,935,898	$ 66,743,342	$ (140,108,664)	$ 749,933,317
Goodwill	$ 2,765,570	$ -	$ -	$ -	$ 2,765,570
Expenditures for long-lived assets	$ 3,024,223	$ 154,226	$ 454,241	$ -	$ 3,632,690

14) Business Segment Information (Continued)

	2014				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 57,037,623	$ 11,426,308	$ 124,668,054	$ -	$ 193,131,985
Net investment income	23,008,489	275,324	5,019,927	-	28,303,740
Realized gains (losses) on investments and other assets	1,208,391	585,543	124,242	-	1,918,176
Other than temporary impairments	(164,240)	-	-	-	(164,240)
Other revenues	682,682	169,464	2,894,867	-	3,747,013
Intersegment revenues:					
Net investment income	6,128,389	1,288,856	642,880	(8,060,125)	-
Total revenues	87,901,334	13,745,495	133,349,970	(8,060,125)	226,936,674
Expenses:					
Death and other policy benefits	29,789,964	-	-	-	29,789,964
Increase in future policy benefits	18,060,151	-	-	-	18,060,151
Amortization of deferred policy and preneed acquisition costs and value of business acquired	6,561,589	331,389	-	-	6,892,978
Depreciation	644,510	436,390	1,096,265	-	2,177,165
General, administrative and other costs:					
Intersegment	24,000	166,079	208,513	(398,592)	-
Provision for loan losses	-	-	3,053,403	-	3,053,403
Costs related to funding mortgage loans	-	-	6,877,069	-	6,877,069
Other	23,045,928	10,245,144	111,319,492	(2)	144,610,562
Interest expense:					
Intersegment	725,354	1,481,317	5,454,860	(7,661,531)	-
Other	578,083	421,920	1,994,426	-	2,994,429
Total benefits and expenses	79,429,579	13,082,239	130,004,028	(8,060,125)	214,455,721
Earnings before income taxes	$ 8,471,755	$ 663,256	$ 3,345,942	$ -	$ 12,480,953
Income tax expense	(3,427,254)	-	(1,299,051)	-	(4,726,305)
Net earnings	$ 5,044,501	$ 663,256	$ 2,046,891	$ -	$ 7,754,648
Identifiable assets	$ 652,348,803	$ 109,114,226	$ 52,349,204	$ (142,742,671)	$ 671,069,562
Goodwill	$ 2,765,570	$ -	$ -	$ -	$ 2,765,570
Expenditures for long-lived assets	$ 1,420,950	$ 121,677	$ 737,936	$ -	$ 2,280,563

14) Business Segment Information (Continued)

	2013				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 51,322,567	$ 12,000,375	$ 127,950,021	$ -	$ 191,272,963
Net investment income	15,877,784	268,923	4,207,295	-	20,354,002
Realized gains (losses) on investments and other assets	1,402,352	15,699	-	-	1,418,051
Other than temporary impairments	(336,226)	-	-	-	(336,226)
Other revenues	538,009	94,703	1,973,518	-	2,606,230
Intersegment revenues:					
Net investment income	7,220,282	1,356,825	262,074	(8,839,181)	-
Total revenues	76,024,768	13,736,525	134,392,908	(8,839,181)	215,315,020
Expenses:					
Death and other policy benefits	28,534,936	-	-	-	28,534,936
Increase in future policy benefits	19,594,890	-	-	-	19,594,890
Amortization of deferred policy and preneed acquisition costs and value of business acquired	4,811,300	370,537	-	-	5,181,837
Depreciation	401,893	426,641	792,535	-	1,621,069
General, administrative and other costs:					
Intersegment	24,000	141,367	199,193	(364,560)	-
Provision for loan losses	-	-	1,751,472	-	1,751,472
Costs related to funding mortgage loans	-	-	6,635,290	-	6,635,290
Other	18,753,753	10,467,717	110,096,627	1	139,318,098
Interest expense:					
Intersegment	802,352	1,664,096	6,008,174	(8,474,622)	-
Other	233,343	443,133	2,177,225	-	2,853,701
Total benefits and expenses	73,156,467	13,513,491	127,660,516	(8,839,181)	205,491,293
Earnings before income taxes	$ 2,868,301	$ 223,034	$ 6,732,392	$ -	$ 9,823,727
Income tax (expense) benefit	399,304	-	(2,637,110)	-	(2,237,806)
Net earnings	$ 3,267,605	$ 223,034	$ 4,095,282	$ -	$ 7,585,921
Identifiable assets	$ 591,465,834	$ 114,454,631	$ 50,250,677	$ (137,413,688)	$ 618,757,454
Goodwill	$ 391,848	$ 285,191	$ -	$ -	$ 677,039
Expenditures for long-lived assets	$ 659,259	$ 1,100,195	$ 1,810,879	$ -	$ 3,570,333

15) Related Party Transactions

The Company's Board of Directors has a written procedure, which requires disclosure to the Board of any material interest or any affiliation on the part of any of its officers, directors or employees that is in conflict or may be in conflict with the interests of the Company. The Company and its Board of Directors is unaware of any related party transactions that require disclosure as of December 31, 2015.

16) Fair Value of Financial Instruments

Generally accepted accounting principles (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 we 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 our estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

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

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

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

Securities Available for Sale and Held to Maturity: The fair values of investments in fixed maturity and equity securities along with methods used to estimate such values are disclosed in Note 2 of the Notes to Consolidated Statements.

Restricted Assets: A portion of these assets include mutual funds and equity securities that have quoted market prices. Also included are cash and cash equivalents and participations in mortgage loans. The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

Cemetery Perpetual Care Trust Investments: A portion of these assets include equity securities that have quoted market prices. Also included are cash and cash equivalents. The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

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

16) Fair Value of Financial Instruments (Continued)

The items shown under Level 3 are valued as follows:

Policyholder Account Balances and Future Policy Benefits-Annuities: Future policy benefit reserves for interest-sensitive insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 4% to 6.5%. The fair values for the Company's liabilities under investment-type insurance contracts (disclosed as policyholder account balances and future policy benefits – annuities) are estimated based on the contracts' cash surrender values.

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.

Interest Rate Lock Commitments: The Company's mortgage banking activities enters into interest rate lock commitments with potential borrowers and forward commitments to sell loans to third-party investors. The Company also implements a hedging strategy for these transactions. A mortgage loan commitment binds the Company to lend funds to a qualified borrower at a specified interest rate and within a specified period of time, generally up to 30 days after inception of the mortgage loan commitment. Mortgage loan commitments are defined to be derivatives under generally accepted accounting principles and are recognized at fair value on the consolidated balance sheet with changes in their fair values recorded as part of other comprehensive income from mortgage banking operations.

The Company estimates the fair value of a mortgage loan commitment based on the change in estimated fair value of the underlying mortgage loan and 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 mortgage loan commitment is issued. Therefore, at the time of issuance, the estimated fair value is zero. 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 derived from the Company's recent historical empirical data are used to estimate the quantity of mortgage loans that will fund within the terms of the commitments.

Bank Loan Interest Rate Swaps: Management considers the interest rate swap instruments to be an effective cash flow hedge against the variable interest rate on bank borrowings since the interest rate swap mirrors the term of the note payable and expires on the maturity date of the bank loan it hedges. The interest rate swaps are a derivative financial instruments carried at its fair value. The fair value of the interest rate swap was derived from a proprietary model of the bank from whom the interest rate swap was purchased and to whom the note is payable.

Mortgage Loans on Real Estate: The fair values are estimated using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

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

It should be noted that for replacement cost, when determining the fair value of mortgage properties, the Company uses Marshall and Swift, a provider of building cost information to the real estate construction industry. For the investment analysis, the Company used market data based upon its real estate operation experience and projected

16) Fair Value of Financial Instruments (Continued)

the present value of the net rental income over seven years. The Company used 60% of the projected cash flow analysis and 40% of the replacement cost to approximate fair value of the collateral.

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

Mortgage Servicing Rights: The Company initially recognizes MSRs at their estimated fair values derived from the net cash flows associated with the servicing contracts, where the Company assumes the obligation to service the loan in the sale transaction. The precise fair value of MSRs cannot be readily determined because MSRs are not actively traded in stand-alone markets. Considerable judgment is required to estimate the fair values of these assets and the exercise of such judgment can significantly affect the Company's earnings.

The Company's subsequent accounting for MSRs is based on the class of MSRs. The Company has identified two classes of MSRs: MSRs backed by mortgage loans with initial term of 30 years and MSRs backed by mortgage loans with initial term of 15 years. The Company distinguishes between these classes of MSRs due to their differing sensitivities to change in value as the result of changes in market. After being initially recorded at fair value, MSRs backed by mortgage loans are accounted for using the amortization method. MSR amortization is determined by amortizing the balance straight-line over an estimated seven and nine year life.

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

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

16) Fair Value of Financial Instruments (Continued)

The following table summarizes Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the consolidated balance sheet at December 31, 2015.

	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				
Common stock	$ 8,431,090	$ 8,431,090	$ -	$ -
Total securities available for sale	8,431,090	8,431,090	-	-
Restricted assets of cemeteries and mortuaries	686,444	686,444	-	-
Cemetery perpetual care trust investments	630,854	630,854	-	-
Derivatives - interest rate lock commitments	3,440,758	-	-	3,440,758
Total assets accounted for at fair value on a recurring basis	$ 13,189,146	$ 9,748,388	$ -	$ 3,440,758
Liabilities accounted for at fair value on a recurring basis				
Policyholder account balances	$ (50,694,953)	$ -	$ -	$ (50,694,953)
Future policy benefits - annuities	(69,398,617)	-	-	(69,398,617)
Derivatives - bank loan interest rate swaps	(13,947)	-	-	(13,947)
- call options	(16,342)	(16,342)	-	-
- put options	(28,829)	(28,829)	-	-
- interest rate lock commitments	(107,667)	-	-	(107,667)
Total liabilities accounted for at fair value on a recurring basis	$ (120,260,355)	$ (45,171)	$ -	$ (120,215,184)

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

	Policyholder Account Balances	Future Policy Benefits - Annuities	Interest Rate Lock Commitments	Bank Loan Interest Rate Swaps
Balance - December 31, 2014	$ (45,310,699)	$ (65,540,985)	$ 1,929,851	$ (31,370)
Total Losses (Gains):				
Included in earnings	(5,384,254)	(3,857,632)	-	-
Included in other comprehensive income (loss)	-	-	1,403,240	17,423
Balance - December 31, 2015	$ (50,694,953)	$ (69,398,617)	$ 3,333,091	$ (13,947)

16) 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 nonrecurring basis by their classification in the consolidated balance sheet at December 31, 2015.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Mortgage servicing rights	$ 6,217,551	$ -	$ -	$ 6,217,551
Real estate held for investment	95,000	-	-	95,000
Total assets accounted for at fair value on a nonrecurring basis	$ 6,312,551	$ -	$ -	$ 6,312,551

16) Fair Value of Financial Instruments (Continued)

The following table summarizes Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the consolidated balance sheet at December 31, 2014.

	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				
Non-redeemable preferred stock				
Common stock	$ 6,752,750	$ 6,752,750	$ -	$ -
Total securities available for sale	6,752,750	6,752,750	-	-
Restricted assets of cemeteries and mortuaries	715,202	715,202	-	-
Cemetery perpetual care trust investments	695,235	695,235	-	-
Derivatives - interest rate lock commitments	2,111,529	-	-	2,111,529
Total assets accounted for at fair value on a recurring basis	$ 10,274,716	$ 8,163,187	$ -	$ 2,111,529
Liabilities accounted for at fair value on a recurring basis				
Policyholder account balances	$ (45,310,699)	$ -	$ -	$ (45,310,699)
Future policy benefits - annuities	(65,540,985)	-	-	(65,540,985)
Derivatives - bank loan interest rate swaps	(31,370)	-	-	(31,370)
- call options	(116,036)	(116,036)	-	-
- put options	(11,867)	(11,867)	-	-
- interest rate lock commitments	(181,678)	-	-	(181,678)
Total liabilities accounted for at fair value on a recurring basis	$ (111,192,635)	$ (127,903)	$ -	$ (111,064,732)

16) Fair Value of Financial Instruments (Continued)

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

	Policyholder Account Balances	Future Policy Benefits - Annuities	Interest Rate Lock Commitments	Bank Loan Interest Rate Swaps
Balance - December 31, 2013	$ (48,000,668)	$ (65,052,928)	$ 1,487,908	$ (58,310)
Total Losses (Gains):				
Included in earnings	2,689,969	(488,057)	-	-
Included in other comprehensive income (loss)	-	-	441,943	26,940
Balance - December 31, 2014	$ (45,310,699)	$ (65,540,985)	$ 1,929,851	$ (31,370)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a nonrecurring basis by their classification in the consolidated balance sheet at December 31, 2014.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Mortgage servicing rights	$ 3,741,381	$ -	$ -	$ 3,741,381
Real estate held for investment	53,500	-	-	53,500
Total assets accounted for at fair value on a nonrecurring basis	$ 3,794,881	$ -	$ -	$ 3,794,881

Fair Value of Financial Instruments Carried at Other Than Fair Value

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

Management uses its best judgment in estimating the fair value of the Company’s financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at December 31, 2015. The estimated fair value amounts for December 31, 2015 have been measured as of period-end, and have not been reevaluated or updated for purposes of these Consolidated Financial Statements subsequent to those dates. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at period-end.

16) 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, 2015:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans:					
Residential	$ 44,459,613	$ -	$ -	$ 47,193,950	$ 47,193,950
Residential construction	34,751,443	-	-	34,751,443	34,751,443
Commercial	33,335,849	-	-	34,778,136	34,778,136
Mortgage loans, net	$ 112,546,905	$ -	$ -	$ 116,723,529	$ 116,723,529
Policy loans	6,896,457	-	-	6,896,457	6,896,457
Other loans	32,685,964	-	-	32,685,964	32,685,964
Short-term investments	16,915,808	-	-	16,915,808	16,915,808
Liabilities					
Bank and other loans payable	$ (40,894,968)	$ -	$ -	$ (40,894,968)	$ (40,894,968)

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, 2014:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans:					
Residential	$ 51,876,621	$ -	$ -	$ 55,247,638	$ 55,247,638
Residential construction	32,971,824	-	-	32,971,824	32,971,824
Commercial	35,201,627	-	-	36,829,266	36,829,266
Mortgage loans, net	$ 120,050,072	$ -	$ -	$ 125,048,728	$ 125,048,728
Policy loans	7,011,012	-	-	7,011,012	7,011,012
Other loans	27,114,416	-	-	27,114,416	27,114,416
Short-term investments	27,059,495	-	-	27,059,495	27,059,495
Liabilities					
Bank and other loans payable	$ (28,989,008)	$ -	$ -	$ (28,989,008)	$ (28,989,008)

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

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

Residential – The estimated fair value of mortgage loans originated prior to 2013 is determined by estimating expected future cash flows of interest payments and discounting them using current interest rates from single family mortgages. The estimated fair value of mortgage loans originated in 2013, 2014 and 2015 is determined from pricing of similar loans that were sold in 2013 and 2014.

Residential Construction – These loans are primarily short in maturity (6-12 months) accordingly, the estimated fair value is determined to be the net book value.

16) Fair Value of Financial Instruments (Continued)

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

Policy and Other Loans: The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

Short-Term Investments: The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

Bank and Other Loans Payable: The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

17) Accumulated Other Comprehensive Income

The following summarizes the changes in accumulated other comprehensive income:

	December 31	
	2015	2014
Unrealized losses on available for-sale securities	$ (1,289,508)	$ (390,143)
Reclassification adjustment for net realized gains in net income	113,751	293,985
Net unrealized gains (losses) before taxes	(1,175,757)	(96,158)
Tax (expense) benefit	404,414	30,310
Net	(771,343)	(65,848)
Potential unrealized gains for derivative bank loans (interest rate swaps) before taxes	17,423	26,940
Tax expense	(6,794)	(10,507)
Net	10,629	16,433
Potential unrealized gains (losses) for derivative mortgage loans before taxes	1,403,240	441,943
Tax (expense) benefit	(547,264)	(172,358)
Net	855,976	269,585
Other comprehensive income (loss) changes	$ 95,262	$ 220,170

17) Accumulated Other Comprehensive Income (Continued)

The following is the accumulated balances of other comprehensive income as of December 31, 2015:

	Beginning Balance December 31, 2014	Change for the period	Ending Balance December 31, 2015
Unrealized net gains on available-for-sale securities and trust investments	$ 280,493	$ (771,343)	$ (490,850)
Unrealized gains (losses) on derivative mortgage loans	1,177,209	855,976	2,033,185
Unrealized gains (losses) on derivative bank loan interest rate swaps	(19,136)	10,629	(8,507)
Other comprehensive income	$ 1,438,566	$ 95,262	$ 1,533,828

The following is the accumulated balances of other comprehensive income as of December 31, 2014:

	Beginning Balance December 31, 2013	Change for the period	Ending Balance December 31, 2014
Unrealized net gains on available-for-sale securities and trust investments	$ 346,341	$ (65,848)	$ 280,493
Unrealized gains (losses) on derivative mortgage loans	907,624	269,585	1,177,209
Unrealized gains (losses) on derivative bank loan interest rate swaps	(35,569)	16,433	(19,136)
Other comprehensive income	$ 1,218,396	$ 220,170	$ 1,438,566

The following is the accumulated balances of other comprehensive income as of December 31, 2013:

	Beginning Balance December 31, 2012	Change for the period	Ending Balance December 31, 2013
Unrealized net gains on available-for-sale securities and trust investments	$ 41,550	$ 304,791	$ 346,341
Unrealized gains (losses) on derivative mortgage loans	1,954,567	(1,046,943)	907,624
Unrealized gains (losses) on derivative bank loan interest rate swaps	(61,758)	26,189	(35,569)
Other comprehensive income	$ 1,934,359	$ (715,963)	$ 1,218,396

18) Derivative Commitments

The following table shows the fair value of derivatives as of December 31, 2015 and 2014.

Fair Value of Derivative Instruments

	Asset Derivatives				Liability Derivatives			
	December 31, 2015		December 31, 2014		December 31, 2015		December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:								
Interest rate lock and forward sales commitments	other assets	$ 3,440,758	other assets	$ 2,111,529	Other liabilities	$ 107,667	Other liabilities	$ 181,678
Call Options		-		-	Other liabilities	16,342	Other liabilities	116,036
Put Options		-		-	Other liabilities	28,829	Other liabilities	11,867
Interest rate swaps		-		-	Bank loans payable	13,947	Bank loans payable	31,370
Total		$ 3,440,758		$ 2,111,529		$ 166,785		$ 340,951

The following table shows the gain (loss) on derivatives for the periods presented. There were no gains or losses reclassified from accumulated other comprehensive income (OCI) into income or gains or losses recognized in income on derivatives ineffective portion or any amounts excluded from effective testing.

	Net Amount Gain (Loss) Recognized in OCI	
	Years ended December 31	
Derivative - Cash Flow Hedging Relationships:	2015	2014
Interest Rate Lock Commitments	$ 1,403,240	$ 441,943
Interest Rate Swaps	17,423	26,940
Sub Total	1,420,663	468,883
Tax Effect	554,058	182,865
Total	$ 866,605	$ 286,018

19) Acquisitions

Acquisition of American Funeral Financial

On June 4, 2014, the Company, through its wholly owned subsidiary, SNFC Subsidiary, LLC ("SNFC Subsidiary"), completed a purchase transaction with American Funeral Financial, LLC, a South Carolina limited liability company ("American Funeral Financial") and Hypershop, LLC, a North Carolina limited liability company ("Hypershop"), the sole owner of all the limited liability company interests of American Funeral Financial, to purchase all of the outstanding limited liability company interests, or membership units, of American Funeral Financial. American Funeral Financial is engaged in the operation of a factoring business with the principal purpose of providing funding for funeral homes and mortuaries.

Under the terms of the transaction, as set forth in the Unit Purchase Agreement dated June 4, 2014 (the "Purchase Agreement"), among the Company, SNFC Subsidiary, American Funeral Financial and Hypershop, the Company paid Hypershop purchase consideration equal to (i) $3,000,000 in cash, of which $175,000 was deposited into an interest bearing escrow account to be held for a period of twelve months from the closing date to pay off the indebtedness and other liabilities of American Funeral Financial, plus (ii) $12,011,183, representing the amount of the good standing receivables of American Funeral Financial, plus (iii) earn-out payments equal to .0042 of the aggregate amount of life insurance assignments funded by American Funeral Financial during the three year period following the closing date of the transaction. This earn-out liability was estimated to be $1,368,000. The purchase consideration was to be used to pay off the indebtedness that American Funeral Financial owed to Security Finance Corporation of Spartanburg, as well as to pay off all other indebtedness and liabilities of American Funeral Financial.

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

Other loans, net	$ 11,866,193
Property and equipment	760,120
Goodwill	2,373,722
Other	1,379,158
Total assets acquired	16,379,193
Other liabilities and accrued expenses	(1,368,000)
Total liabilities assumed	(1,368,000)
Fair value of net assets acquired	$ 15,011,193

The estimated fair value of the acquisition is based on market assumptions of the future value of the business acquired, the collectability of receivables, the current value of equipment purchased and the useful life of proprietary software. Based on the unobservable nature of certain of these assumptions, the valuation is considered Level 3 under the fair value hierarchy.

The following unaudited pro forma information has been prepared to present the results of operations of the Company assuming the acquisition of American Funeral Financial had occurred at the beginning of the years ended December 31, 2015, 2014 and 2013, respectively. This pro forma information is supplemental and does not necessarily present the operations of the Company that would have occurred had the acquisition occurred on those dates and may not reflect the operations that will occur in the future:

	For the Year Ended December 31 (unaudited)		
	2015	2014	2013
Total revenues	$ 283,161,000	$ 229,268,653	$ 220,011,370
Net earnings	$ 12,622,880	$ 7,996,405	$ 7,963,589
Net earnings per Class A equivalent common share	$ 0.92	$ 0.61	$ 0.61
Net earnings per Class A equivalent common share assuming dilution	$ 0.89	$ 0.59	$ 0.58

20) Mortgage Servicing Rights

The following table presents the MSR activity for 2015 and 2014.

	December 31	
	2015	2014
Amortized cost:		
Balance before valuation allowance at beginning of year	$ 7,834,747	$ 4,844,101
MSRs received as proceeds from loan sales	6,217,551	3,741,381
Amortization	(1,372,543)	(750,735)
Application of valuation allowance to write down MSRs with other than temporary impairment	-	-
Balance before valuation allowance at year end	$ 12,679,755	$ 7,834,747
Valuation allowance for impairment of MSRs:		
Balance at beginning of year	$ -	$ -
Additions	-	-
Application of valuation allowance to write down MSRs with other than temporary impairment	-	-
Balance at year end	$ -	$ -
Mortgage servicing rights, net	$ 12,679,755	$ 7,834,747
Estimated fair value of MSRs at year end	$ 13,897,160	$ 8,485,570

The Company reports these MSRs pursuant to the accounting policy discussed in Note 1 of the Notes to Consolidated Financial Statements. The following table summarizes the Company's estimate of future amortization of its existing MSRs carried at amortized cost. This projection was developed using the assumptions made by management in its December 31, 2015 valuation of MSRs. The assumptions underlying the following estimate will change as market conditions and portfolio composition and behavior change, causing both actual and projected amortization levels to change over time. Therefore, the following estimates will change in a manner and amount not presently determinable by management.

	Estimated MSR Amortization
2016	$ 1,408,862
2017	1,408,862
2018	1,408,862
2019	1,408,862
2020	1,408,862
Thereafter	5,635,445
Total	$ 12,679,755

21) Quarterly Financial Data (Unaudited)

	2015 Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 64,049,632	$ 76,040,615	$ 75,494,686	$ 67,576,067
Benefits and expenses	61,051,248	69,808,663	67,700,286	64,779,238
Earnings before income taxes	2,998,384	6,231,952	7,794,400	2,796,829
Income tax expense	(1,134,681)	(2,379,673)	(2,904,615)	(779,716)
Net earnings	1,863,703	3,852,279	4,889,785	2,017,113
Net earnings per common share (1)	$0.14	$0.28	$0.35	$0.15
Net earnings per common share assuming dilution (1)	$0.13	$0.27	$0.34	$0.14

	2014 Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 45,053,276	$ 59,411,730	$ 61,725,792	$ 60,745,876
Benefits and expenses	44,887,289	55,224,633	58,348,652	55,995,147
Earnings before income taxes	165,987	4,187,097	3,377,140	4,750,729
Income tax expense	(27,139)	(1,563,034)	(1,239,318)	(1,896,814)
Net earnings	138,848	2,624,063	2,137,822	2,853,915
Net earnings per common share (1)	$0.01	$0.20	$0.16	$0.22
Net earnings per common share assuming dilution (1)	$0.01	$0.19	$0.16	$0.21

	2013 Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 54,852,234	$ 61,332,289	$ 50,552,791	$ 48,577,706
Benefits and expenses	51,624,611	56,862,769	48,588,507	48,415,406
Earnings before income taxes	3,227,623	4,469,520	1,964,284	162,300
Income tax benefit (expense)	(1,194,357)	(1,670,275)	(697,793)	1,324,619
Net earnings	2,033,266	2,799,245	1,266,491	1,486,919
Net earnings per common share (1)	$0.16	$0.22	$0.10	$0.11
Net earnings per common share assuming dilution (1)	$0.14	$0.20	$0.09	$0.11

(1) Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends.

Management Discussion and Analysis of Financial Condition and Results of Operations

The following selected financial data is for each of the five years ended December 31, 2015, and is derived from the audited consolidated financial statements. The data as of December 31, 2015 and 2014, and for the three years ended December 31, 2015, should be read in conjunction with the consolidated financial statements, related notes and other financial information.

Consolidated Statement of Earnings Data:

	Year Ended December 31				
	2015(3)	2014	2013	2012(2)	2011(1)
Revenue					
Insurance premiums and other considerations	$ 56,410,000	$ 53,009,000	$ 50,472,000	$ 48,216,000	$ 48,457,000
Net investment income	34,008,000	28,304,000	20,354,000	21,916,000	18,570,000
Net mortuary and cemetery sales	11,502,000	11,426,000	12,000,000	10,865,000	10,761,000
Realized gains on investments	2,401,000	1,918,000	1,418,000	1,425,000	2,464,000
Other than temporary impairments	(605,000)	(164,000)	(336,000)	(1,208,000)	(841,000)
Mortgage fee income	174,323,000	128,697,000	128,801,000	151,887,000	79,046,000
Other	5,122,000	3,747,000	2,606,000	1,159,000	1,110,000
Total revenues	283,161,000	226,937,000	215,315,000	234,260,000	159,567,000
Expenses					
Policyholder benefits	50,762,000	47,850,000	48,130,000	45,681,000	46,204,000
Amortization of deferred policy acquisition costs	5,641,000	6,893,000	5,182,000	5,450,000	5,769,000
Selling, general and administrative expenses	200,674,000	154,866,000	147,406,000	156,310,000	102,513,000
Interest expense	4,459,000	2,994,000	2,854,000	3,744,000	1,961,000
Cost of goods and services of the mortuaries and cemeteries	1,803,000	1,853,000	1,919,000	1,724,000	1,883,000
Total benefits and expenses	263,339,000	214,456,000	205,491,000	212,909,000	158,330,000
Earnings before income taxes	19,822,000	12,481,000	9,824,000	21,351,000	1,237,000
Income tax benefit (expense)	(7,199,000)	(4,726,000)	(2,238,000)	(4,639,000)	62,000
Net earnings	$ 12,623,000	$ 7,755,000	$ 7,586,000	$ 16,712,000	$ 1,299,000
Net earnings per common share (4)	$0.92	$0.59	$0.58	$1.38	$0.11
Weighted average outstanding common shares (4)	13,722,000	13,176,000	13,023,000	12,085,000	11,844,000
Net earnings per common share-assuming dilution (4)	$0.89	$0.57	$0.55	$1.31	$0.11
Weighted average outstanding common shares-assuming dilution (4)	14,210,000	13,605,000	13,670,000	12,714,000	11,969,000

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Balance Sheet Data:

	December 31				
	2015(3)	2014	2013	2012(2)	2011(1)
Assets					
Investments and restricted assets	$ 449,801,000	$ 446,249,000	$ 391,523,000	$ 356,446,000	$ 337,625,000
Cash	40,053,000	30,855,000	38,203,000	33,494,000	15,583,000
Receivables	131,313,000	82,079,000	88,832,000	111,157,000	87,252,000
Other assets	128,766,000	111,887,000	100,199,000	96,120,000	82,591,000
Total assets	$ 749,933,000	$ 671,070,000	$ 618,757,000	$ 597,217,000	$ 523,051,000
Liabilities					
Policyholder benefits	$ 521,915,000	$ 481,689,000	$ 457,304,000	$ 443,388,000	$ 388,538,000
Bank & other loans payable	40,909,000	29,020,000	18,289,000	11,910,000	25,019,000
Cemetery & mortuary liabilities	12,816,000	13,242,000	13,176,000	13,412,000	13,140,000
Cemetery perpetual care obligation	3,466,000	3,407,000	3,266,000	3,153,000	2,983,000
Other liabilities	59,581,000	46,621,000	38,971,000	45,542,000	32,140,000
Total liabilities	638,687,000	573,979,000	531,006,000	517,405,000	461,820,000
Stockholders' equity	111,246,000	97,091,000	87,751,000	79,812,000	61,231,000
Total liabilities and stockholders' equity	$ 749,933,000	$ 671,070,000	$ 618,757,000	$ 597,217,000	$ 523,051,000

(1) Includes the assumption reinsurance of North America Life Insurance Company.

(2) Includes the coinsurance with Mothe Life Insurance Company and DLE Life Insurance Company.

(3) Includes the coinsurance with American Republic Life Insurance Company.

(4) Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends.

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Overview

The Company's operations over the last several years generally reflect three trends or events 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) emphasis on cemetery and mortuary business; and (iii) capitalizing on relatively low interest rates by originating mortgage loans.

Insurance Operations

The following table shows the condensed financial results for the Company's insurance operations for the years ended December 31, 2015, 2014 and 2013. See Note 14 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)				
	2015	2014	2015 vs 2014 % Increase (Decrease)	2013	2014 vs 2013 % Increase (Decrease)
Revenues from external customers					
Insurance premiums	$ 56,410	$ 53,009	6%	$ 50,472	5%
Net investment income	25,297	23,008	10%	15,878	45%
Revenues from loan originations	2,474	4,029	(39%)	851	373%
Other	2,744	1,727	59%	1,604	8%
Total	$ 86,925	$ 81,773	6%	$ 68,805	19%
Intersegment revenue	$ 7,615	$ 6,128	24%	$ 7,220	(15%)
Earnings before income taxes	$ 8,465	$ 8,472	0%	$ 2,868	195%

Intersegment revenues for the Company's insurance operations are primarily interest income from the warehouse line provided to SecurityNational Mortgage Company. Profitability in 2015 has increased due to increases in net investment income, increases in insurance premiums and increases in realized gains on investments and other assets.

Cemetery and Mortuary Operations

The following table shows the condensed financial results for the Company's cemetery and mortuary operations for the years ended December 31, 2015, 2014 and 2013. See Note 14 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)				
	2015	2014	2015 vs 2014 % Increase (Decrease)	2013	2014 vs 2013 % Increase (Decrease)
Revenues from external customers					
Mortuary revenues	$ 4,628	$ 4,801	(4%)	$ 5,081	(6%)
Cemetery revenues	6,874	6,625	4%	6,919	(4%)
Realized gains on investments and other assets	387	586	(34%)	16	3563%
Other	598	445	34%	364	22%
Total	$ 12,487	$ 12,457	0%	$ 12,380	1%
Earnings before income taxes	$ 914	$ 663	38%	$ 223	197%

The majority of the realized gain in the Company's cemetery and mortuary operations in 2014 was due to the sale of certain real estate of Paradise Sunset Chapel. Included in other revenue was rental income from residential and

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

commercial properties purchased from Security National Life. Memorial Estates used financing provided by Security National Life to purchase these properties. The rental income was offset by property insurance, taxes, maintenance expenses and interest payments made to Security National Life. Memorial Estates recorded depreciation on these properties of $858,000, $945,000 and $1,029,000 for the twelve months ended December 31, 2015, 2014 and 2013, respectively.

Mortgage Operations

Approximately 65% of the Company's revenues for the fiscal year 2015 were through its wholly owned subsidiaries, SecurityNational Mortgage and Green Street Mortgage. Both mortgage subsidiaries are mortgage lenders incorporated under the laws of the State of Utah and obtain loans from their retail offices and independent brokers and pay a commission to brokers for loans that are funded by them. SecurityNational Mortgage is also approved by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), to originate mortgage loans that qualify for government insurance in the event of default by the borrower. Mortgage loans originated by the Company's mortgage subsidiaries are funded through loan purchase agreements from Security National Life, its wholly owned subsidiary, and unaffiliated financial institutions.

The Company's mortgage subsidiaries receive fees from the borrowers and secondary fees from third party investors that purchase their loans. Loans originated by SecurityNational Mortgage may be sold with mortgage servicing rights released to third party investors or retained by SecurityNational Mortgage. SecurityNational Mortgage currently retains the mortgage servicing rights on approximately 30% of its annual origination volume. These loans are serviced by an approved third party sub-servicer.

For the twelve months ended December 31, 2015, 2014 and 2013, SecurityNational Mortgage originated and sold 14,976 loans ($2,843,455,000 total volume), 10,794 loans ($2,037,337,000 total volume), and 11,484 loans ($2,147,040,000 total volume), respectively. For the twelve months ended December 31, 2015, 2014 and 2013, Green Street Mortgage originated and sold 79 loans ($17,949,000 total volume), 33 loans ($7,298,000 total volume), and seven loans ($1,731,000 total volume), respectively. Green Street Mortgage ceased its operations on March 31, 2015. The Company has elected to maintain several licenses and approvals that would allow Green Street Mortgage to resume originating mortgage loans.

The following table shows the condensed financial results for the Company's mortgage operations for the years ended 2015, 2014 and 2013. See Note 14 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)				
	2015	2014	2015 vs 2014 % Increase (Decrease)	2013	2014 vs 2013 % Increase (Decrease)
Revenues from external customers:					
Revenues from loan originations	$ 137,639	$ 102,806	34%	$ 104,111	(1%)
Secondary gains from investors	34,211	21,862	56%	23,839	(8%)
Total	$ 171,850	$ 124,668	38%	$ 127,950	(3%)
Earnings before income taxes	$ 10,443	$ 3,346	212%	$ 6,732	(50%)

The increase in earnings for the Company's mortgage operations for the twelve months ended December 31, 2015 as compared to December 31, 2014 was due to higher secondary gains on mortgage loans sold to investors and an increase in loan origination volume.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate. However, management believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate potential losses on loans

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

sold. The amounts expensed for loan losses in years ended December 31, 2015 and 2014 were $6,295,000 and $3,053,000, respectively. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2015 and 2014, the balances were $2,806,000 and $1,718,000, respectively.

Mortgage Loan Loss Demands

Inquiry Regarding FHA Insured Loans

SecurityNational Mortgage has been cooperating with the U.S. Department of Justice and the Office of the Inspector General for the Department of Housing and Urban Development (HUD) in a civil investigation regarding compliance with requirements relating to certain loans insured by the Federal Housing Administration (FHA). No demand has been made and SecurityNational Mortgage has not established a liability for this matter absent a specific demand because it is not able to estimate a range of reasonably potential loss due to significant uncertainties regarding: the absence of any specific demand, the potential remedies, including possible defenses, and the lack of information concerning the performance of its FHA insured originations, the majority of which SecurityNational Mortgage does not service. The investigation has focused on loans originated by SecurityNational Mortgage on or after January 1, 2006. The FHA mortgage loans that SecurityNational Mortgage originated between January 1, 2006 and May 21, 2013 totaled approximately 45,900 loans with an original principal balance of approximately $7.9 billion.

Mortgage Loan Loss Litigation

Lehman Brothers and Aurora Loan Services Litigation - Utah

On April 15, 2005, SecurityNational Mortgage entered into a Loan Purchase Agreement with Lehman Brothers Bank, FSB (“Lehman Bank”), which agreement incorporated a Seller’s Guide. Pursuant to the Loan Purchase Agreement, Lehman Bank purchased mortgage loans from time to time from SecurityNational Mortgage. Lehman Bank asserted that certain of the mortgage loans that it purchased several years ago from SecurityNational Mortgage contained alleged misrepresentations and early payment defaults. As a result, Lehman Bank contended it had the right to require SecurityNational Mortgage to repurchase certain loans or be liable for losses related to such Loans under the Loan Purchase Agreement. SecurityNational Mortgage disagreed with these claims.

On December 17, 2007, SecurityNational Mortgage entered into an Indemnification Agreement with Lehman Bank and Aurora Loan Services. Under the terms of the Indemnification Agreement, SecurityNational Mortgage agreed to indemnify Lehman Bank and Aurora Loan Services for 75% of actual losses, as defined, that Lehman Bank and Aurora Loan Services may incur on account of the breaches pertaining to certain identified loans. The Indemnification Agreement also required SecurityNational Mortgage to indemnify Lehman Bank and Aurora Loan Services for 100% of any future actual losses, as defined, incurred on mortgage loans with breaches not covered by the 75% provision. A reserve account was set up for covering said losses.

In addition to initial payments into the reserve account, SecurityNational Mortgage was to pay to Aurora Loan Services each calendar month the difference between the reserve account balance and $645,000, but in no event would SecurityNational Mortgage be required to make payments into the reserve account in excess of $125,000 for any calendar month. Since the time the reserve account was established, approximately $4,300,000 was taken from the reserve account to indemnify Lehman Bank and Aurora Loan Services for alleged losses. On March 28, 2011 Lehman Bank and Aurora Loan Services assigned certain rights and remedies under the Indemnification Agreement to Lehman Brothers Holdings Inc. (“Lehman Holdings”).

On May 11, 2011, SecurityNational Mortgage filed a complaint against Aurora Bank FSB (formerly known as Lehman Bank) and Aurora Loan Services in the United States District Court, Utah, which was assigned to Judge David Nuffer. The allegations in the complaint include breach of the Indemnification Agreement. SecurityNational Mortgage claimed it was entitled to a judgment of approximately $4,000,000 against Lehman Bank, as well as

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Aurora Loan Services to the extent of its involvement, for payments which should not have been taken from the reserve account.

On June 8, 2011, Lehman Holdings, which had filed for bankruptcy in September 2008, filed a complaint in the United States District Court, Utah against SecurityNational Mortgage. The case was assigned to Judge Ted Stewart. The complaint alleged claims for damages for breach of contract and breach of warranty pursuant to the Loan Purchase Agreement, and initially claimed damages in excess of $5,000,000. Lehman Holdings further alleged that Lehman Bank sold mortgage loans to it and assigned the contractual rights. SecurityNational Mortgage strongly disagreed with the claims in Lehman Holdings' complaint.

Discovery was completed in the two foregoing lawsuits. On December 24, 2014, Judge Nuffer issued an amended order granting SecurityNational Mortgage's motion for summary judgment against Lehman Bank and Aurora Loan Services for $3,892,974, plus prejudgment interest at 9% per annum. The total amount of prejudgment interest awarded was $1,674,240 through May 31, 2014, with a per diem of $960 for each day after May 31, 2014 until final judgment. The court also indicated that further replenishment of the reserve account under the Indemnification Agreement appeared to be barred by a waiver, but that this issue had not been briefed.

Additionally, the court stated that the offset that Lehman Bank and Aurora Loan Services pled as an affirmative defense had not yet been adjudicated by the court. SecurityNational Mortgage asserts that Lehman Bank and Aurora Loan Services have no rights to a replenishment of the Indemnification Agreement reserve account, or for any offset. On March 30, 2015, SecurityNational Mortgage filed a response in opposition to the partial summary judgment motion of Lehman Bank and Aurora Loan Services concerning the reserve account replenishment and offset; SecurityNational Mortgage also filed its own partial summary judgment motion on the same issues. These motions are currently under advisement.

On April 21, 2015, Judge Stewart issued a memorandum decision and order denying SecurityNational Mortgage's motion for summary judgment against Lehman Holdings in the Lehman Holdings case. On January 16, 2015, SecurityNational Mortgage filed a separate motion for summary judgment against Lehman Holdings based on the statute of limitations. Because certain cases that arose in Colorado were pending before the United States Court of Appeals for the Tenth Circuit concerning statute of limitations issues involving Lehman Holdings, Judge Stewart inquired at a hearing as to whether his ruling on SecurityNational Mortgage's motion should be held in abeyance until a ruling is rendered by the Tenth Circuit. The parties agreed to an abeyance and Judge Stewart issued an order on May 11, 2015 postponing his ruling.

On January 27, 2016, the Tenth Circuit entered its order and judgment concerning the five cases before it upholding rulings of the U.S. District Court, Colorado dismissing the cases filed by Lehman Holdings with prejudice. Pursuant to an order from Judge Stewart, SecurityNational Mortgage and Lehman Holdings filed supplemental briefs on March 3, 2016 pertaining to SecurityNational Mortgage's summary judgment motion in view of the ruling of the Tenth Circuit. On March 23, 2016, the court denied SecurityNational Mortgage's motion based on a certain tolling provision in one of the agreements.

Lehman Brothers Litigation – Delaware and New York

In January 2014, Lehman Holdings entered into a settlement with the Federal National Mortgage Association (Fannie Mae) concerning the mortgage loan claims asserted by Fannie Mae against Lehman Holdings that were allegedly based on breaches of certain representations and warranties by Lehman Holdings. Lehman Holdings had acquired these loans from Lehman Bank, which in turn purchased the loans from residential mortgage loan originators, including SecurityNational Mortgage. A settlement based on similar circumstances was entered into between Lehman Holdings and the Federal Home Loan Mortgage Corporation (Freddie Mac) in February 2014. As a result of the Fannie Mae and Freddie Mac settlements, Lehman Holdings filed a motion in May 2014 with the U.S. Bankruptcy Court of the Southern District of New York to require the mortgage loan originators, including SecurityNational Mortgage, to engage in mediation, a nonbinding alternative dispute resolution process, as Lehman Holdings asserted alleged indemnification claims against the mortgage loan originators.

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The mediation was not successful in resolving the potential issues between SecurityNational Mortgage and Lehman Holdings relative to the Fannie Mae and Freddie Mac settlements with Lehman Holdings. On January 26, 2016, SecurityNational Mortgage filed a declaratory judgment action against Lehman Holdings in the Superior Court for the State of Delaware. In the Delaware action, SecurityNational Mortgage asserted its right to obtain a declaration of rights in that there is allegedly millions of dollars in dispute with Lehman Holdings pertaining to approximately 136 loans. SecurityNational Mortgage seeks declaratory judgment as to its rights as it contends that it has no liability to Lehman Holdings as a result of Lehman Holdings' settlements with Fannie Mae and Freddie Mac.

On February 3, 2016, Lehman Holdings filed an adversary proceeding against approximately 150 parties, including SecurityNational Mortgage, in the U.S. Bankruptcy Court of the Southern District of New York seeking a declaration of rights similar in nature to the declaration of rights that SecurityNational Mortgage seeks in its Delaware lawsuit, and for damages relating to the defendants' obligations under indemnification provisions of the alleged agreements in an amount to be determined at trial, including interest, and attorneys' fees and related costs incurred by Lehman Holdings in enforcing the obligations of the defendants. The complaint filed on February 3, 2016 was not served on SecurityNational Mortgage and an amended complaint materially similar to the original complaint was filed March 7, 2016. As with SecurityNational Mortgage's Delaware action, and although SecurityNational Mortgage has not yet filed a response to the amended complaint, SecurityNational Mortgage denies that it has any liability to Lehman Holdings and intends to vigorously protect and defend such position.

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 operation.

Recent Acquisitions and Other Business Activities

Reinsurance Agreement with North America Life Insurance Company

On May 8, 2015, the Company, through its wholly owned subsidiary, Security National Life, signed a paid-up business offer under the coinsurance agreement effective December 1, 2010 to reinsure certain life insurance policies from North America Life Insurance Company ("North America Life"). Pursuant to the paid-up business offer, North America Life ceded and transferred to Security National Life all contractual obligations and risks under the coinsured policies. Security National Life paid a ceding commission to North America Life in the amount of $281,908. As a result of the ceding commission, North America Life transferred $8,900,282 of cash and $9,182,190 in statutory reserves, or liabilities, to Security National Life.

Reinsurance Agreement with American Republic Insurance Company

On February 11, 2015, the Company, through its wholly owned subsidiary, Security National Life, signed a coinsurance agreement to reinsure certain life insurance policies from American Republic Insurance Company ("American Republic"). The policies were previously reinsured by North America Life under a coinsurance agreement between World Insurance Company ("World Insurance") and North America Life entered into on July 22, 2009 which was commuted. World Insurance was subsequently purchased by and merged into American Republic. The current coinsurance agreement is between Security National Life and American Republic and became effective on January 1, 2015. As part of the coinsurance agreement, American Republic transferred all contractual obligations and risks to Security National Life and Security National Life took control of $15,004,771 of assets in a trust account held by Texas Capital Bank as the trustee.

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Reinsurance Agreement with LJA Insurance Company

On December 19, 2014, the Company entered into a Coinsurance Funds Withheld Reinsurance Agreement with LJA Insurance Company ("LJA Insurance"), a Republic of the Marshall Islands domiciled insurance company. This agreement was effective November 1, 2014. Under the terms of the funds withheld agreement, the Company ceded to LJA Insurance 100% of three blocks of deferred annuities in the amount of $4,337,000 and retained the assets and recorded a funds held under coinsurance liability for the same amount. LJA Insurance agreed to pay the Company an initial ceding commission of $60,000 and an asset management fee of $16,000 per quarter to administer the policies. The Company will also receive a 90% experience refund for any profits from the business. The Company has the right to recapture the business by giving LJA Insurance 90 days written notice, or it may be terminated by mutual consent of both parties.

Sale of Paradise Chapel Funeral Home, Inc. – Phoenix, Arizona

On December 8, 2014, the Company and its subsidiaries, Paradise Sunset Chapel Funeral Home, Inc. ("Paradise Sunset Chapel"), and Security National Life completed an asset sales transaction with 40th Street Developers, LLC ("40th Street"), to sell certain real estate. Under the terms of the asset purchase agreement among Paradise Sunset Chapel, Security National Life and 40th Street, 40th Street paid $1,505,000 at closing to Paradise Sunset Chapel and Security National Life.

Acquisition of American Funeral Financial

On June 4, 2014, the Company, through its wholly owned subsidiary, SNFC Subsidiary, LLC, completed a purchase transaction with American Funeral Financial, LLC, a South Carolina limited liability company, and Hypershop, LLC, a North Carolina limited liability company and sole owner of all the limited liability company interests of American Funeral Financial, to purchase all of the outstanding limited liability company interests, or membership units, of American Funeral Financial. American Funeral Financial is engaged in the operation of a factoring business with the principal purpose to provide funding for funeral homes and mortuaries. For the year ended December 31, 2014, American Funeral Financial had revenues of $5,026,000 with a net income of $164,000. As of December 31, 2014, the total assets of American Funeral Financial were $19,153,000 and total equity was $1,680,000.

Under the terms of the transaction, as set forth in the Purchase Agreement dated June 4, 2014, among the Company, SNFC Subsidiary, American Funeral Financial and Hypershop, the Company paid Hypershop purchase consideration equal to (i) $3,000,000 in cash, of which $175,000 was deposited into an interest bearing escrow account to be held for a period of twelve months from the closing date to pay off the indebtedness and other liabilities of American Funeral Financial, plus (ii) $12,011,183, representing the amount of the good standing receivables of American Funeral Financial, plus (iii) earn-out payments equal to .0042 of the aggregate amount of life insurance assignments funded by American Funeral Financial during the three year period following the closing date of the transaction. This earn-out liability was estimated to be $1,368,000. The purchase consideration was to be used to pay off the indebtedness that American Funeral Financial owed to Security Finance Corporation of Spartanburg, as well as to pay off all other indebtedness and liabilities of American Funeral Financial.

Real Estate Development

The Company is capitalizing on the opportunity to develop commercial assets on its existing properties. The cost to acquire existing for-sale assets currently exceeds the replacement costs, thus creating the opportunity for development and redevelopment of the land the company currently owns. The Company has developed, or is in the process of developing assets that have an initial development cost exceeding $100,000,000. The group plans to continue its development endeavors as the market demands.

Dry Creek at East Village Apartments

The construction of Dry Creek at East Village Apartments ("Dry Creek") was completed in December 2015. The total project consists of 282 units and contains a mixture of 1, 2 and 3 bedroom units. It is located within close proximity to a transit hub and as of December 31, 2015 was 69% occupied. Rental rates increased in the market by 9.8% over pro forma rents, and effective (achieved) rates net of concessions also increased. Leasing remains strong and vacancy rates in the market remain below the long-term average.

Following the market trend of leasing units as delivered, instead of waiting until the project completed, allowed revenue to begin ahead of final completion. The management company pushed lease rates throughout construction due to the strong leasing performance and overall market demand dynamics. Vacancy rates in the Salt Lake City market continue to outperform the national average as employment and population in-migration remain strong in Utah.

53rd Corporate Development

In 2015 the Company broke ground and commenced development on the first phase of its new corporate campus. The anticipated project, comprising nearly 20 acres of land that is currently owned by the Company in the central valley of Salt Lake City, is envisioned to be a multi-year, phased development. At full development, the project will include nearly one million square-feet in six buildings, ranging from four to 12 stories, and will be serviced by three parking structures with over 4,000 stalls.

The first phase of the project includes a building and a parking garage consisting of nearly 200,000 square feet of office and retail space with 914 structured parking stalls. This phase of the campus is expected to be completed in the second quarter of 2017. This asset is included in property and equipment in the accompanying consolidated balance sheet.

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

<u>Results of Consolidated Operations</u>

2015 Compared to 2014

Total revenues increased by $56,224,000, or 24.8%, to $283,161,000 for fiscal year 2015 from $226,937,000 for the fiscal year 2014. Contributing to this increase in total revenues was a $45,626,000 increase in mortgage fee income, a $5,704,000 increase in net investment income, a $3,401,000 increase in insurance premiums and other considerations, a $1,375,000 increase in other revenues, a $483,000 increase in realized gains on investments and other assets, and a $76,000 increase in net cemetery and mortuary sales. This increase in total revenues was partially offset by a $441,000 increase in other than temporary impairments.

Insurance premiums and other considerations increased by $3,401,000, or 6.4%, to $56,410,000 for 2015, from $53,009,000 for the comparable period in 2014. This increase was due to an increase in renewal premiums and an increase in first year premiums as a result of increased insurance sales in 2015.

Net investment income increased by $5,704,000, or 20.2%, to $34,008,000 for 2015, from $28,304,000 for the comparable period in 2014. This increase was primarily attributable to a $4,119,000 increase in income from short-term investments, a $1,021,000 increase in income from real estate, a $414,000 decrease in investment expenses, a $146,000 increase in interest from mortgage loans, a $57,000 increase in equity securities income, and an $8,000 increase in policy loans income. This increase was partially offset by a $61,000 decrease in fixed maturity securities income.

Net cemetery and mortuary sales increased by $76,000, or 0.7%, to $11,502,000 for 2015, from $11,426,000 for the comparable period in 2014. This increase was primarily due to a $249,000 increase in cemetery pre-need and at-need sales. This increase was partially offset by a $173,000 decrease in mortuary at-need sales.

Realized gains on investments and other assets increased by $483,000, or 25.2%, to $2,401,000 in realized gains for 2015, from $1,918,000 in realized gains for the comparable period in 2014. This increase in realized gains and losses on investments and other assets was primarily due to a $677,000 increase in gains and losses on other assets. This increase was partially offset by a $180,000 decrease in gains and losses on marketable securities, and a $14,000 decrease in gains and losses on fixed maturity securities held to maturity.

Other than temporary impairments on investments increased by $441,000, or 268.6%, to $605,000 for 2015 from $164,000 for the comparable period in 2014. This increase was due to a $192,000 increase in impairments on real estate held for investment and mortgage loans, and a $249,000 increase in impairments on marketable securities.

Mortgage fee income increased by $45,626,000, or 35.5%, to $174,323,000 for 2015, from $128,697,000 for the comparable period in 2014. This increase was primarily attributable to higher secondary gains from mortgage loans sold to investors and an increase in mortgage loan originations.

Other revenues increased by $1,375,000, or 36.7%, to $5,122,000 for 2015 from $3,747,000 for the comparable period in 2014. This increase was due to an increase in mortgage servicing revenues.

Total benefits and expenses were $263,339,000, or 93.0% of total revenues, for 2015, as compared to $214,456,000, or 94.5% of total revenues, for the comparable period in 2014.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of $2,912,000, or 6.1%, to $50,762,000 for 2015, from $47,850,000 for the comparable period in 2014. This increase was primarily the result of an increase of $4,058,000 in death benefits, which was partially offset by decreases of $848,000 in future policy benefits, and $298,000 in surrenders and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired decreased by $1,252,000, or 18.2%, to $5,641,000 for 2015, from $6,893,000 for the comparable period in 2014. This decrease was primarily due to improved persistency in the payment of premiums in the traditional life business.

Selling, general and administrative expenses increased by $45,809,000, or 29.6%, to $200,674,000 for 2015, from $154,865,000 for the comparable period in 2014. This increase was primarily due to a $22,059,000 increase in commission expenses, an $11,500,000 increase in personnel expenses, a $4,154,000 increase in other expenses, a $3,242,000 increase in the provision for loan losses, a $1,987,000 increase in costs related to funding mortgage loans,

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

and a $1,715,000 increase in rent and rent related expenses. These increases were partially offset by a $1,146,000 decrease in advertising expenses. These increased expenses in 2015 were primarily due to the additional costs and expenses associated with the Company's significant increases in the number of mortgage loan originations in 2015.

Interest expense increased by $1,464,000, or 48.9%, to $4,458,000 for 2015, from $2,994,000 for the comparable period in 2014. This increase was primarily due to an increase in outstanding balances on warehouse lines of credit used to fund mortgage loans.

Cost of goods and services sold of the cemeteries and mortuaries decreased by $50,000, or 2.7%, to $1,803,000 for 2015, from $1,853,000 for the comparable period in 2014. This decrease was primarily due to a decrease in mortuary at-need sales, which was offset by an increase in cemetery pre-need and at-need sales.

Other comprehensive income for the years ended December 31, 2015 and December 31, 2014 amounted to gains of $95,000 and $220,000, respectively. This decrease of $125,000 in 2015 was primarily the result of a $706,000 unrealized loss in marketable securities offset by a gain of $581,000 in derivatives related to mortgage loans.

2014 Compared to 2013

Total revenues increased by $11,622,000, or 5.4%, to $226,937,000 for fiscal year 2014 from $215,315,000 for the fiscal year 2013. Contributing to this increase in total revenues was a $7,950,000 increase in net investment income, a $2,537,000 increase in insurance premiums and other considerations, a $1,141,000 increase in other revenues, a $500,000 increase in realized gains on investments and other assets, and an $172,000 decrease in other than temporary impairments. This increase in total revenues was partially offset by a $574,000 decrease in net cemetery and mortuary sales, and a $104,000 decrease in mortgage fee income.

Insurance premiums and other considerations increased by $2,537,000, or 5.0%, to $53,009,000 for 2014, from $50,472,000 for the comparable period in 2013. This increase was due to an increase in renewal premiums and an increase in first year premiums as a result of increased insurance sales in 2014.

Net investment income increased by $7,950,000, or 39.1%, to $28,304,000 for 2014, from $20,354,000 for the comparable period in 2013. This increase was primarily attributable to a $3,445,000 increase in income from short-term investments, a $2,883,000 increase in interest from mortgage loans, and a $1,776,000 increase in income from real estate. This increase was partially offset by a $61,000 increase in investment expenses, a $58,000 decrease in policy loans income, and a $37,000 decrease in fixed maturity securities income.

Net cemetery and mortuary sales decreased by $574,000, or 4.8%, to $11,426,000 for 2014, from $12,000,000 for the comparable period in 2013. This decrease was primarily due to a $294,000 decrease in cemetery pre-need and at-need sales, and a $280,000 decrease in mortuary at-need sales.

Realized gains on investments and other assets increased by $500,000, or 0.5%, to $1,918,000 in realized gains for 2014, from $1,418,000 in realized gains for the comparable period in 2013. This increase in realized gains and losses on investments and other assets was primarily due to a $482,000 increase in gains and losses on other assets, and a $262,000 increase in gains and losses on fixed maturity securities held to maturity. This increase was partially offset by a $244,000 decrease in gains and losses on marketable securities.

Other than temporary impairments on investments decreased by $172,000, or 51.2%, to $164,000 for 2014 from $336,000 for the comparable period in 2013. This decrease was due to a $116,000 decrease in impairments on real estate held for investment and mortgage loans, and a $56,000 decrease in impairments on marketable securities.

Mortgage fee income decreased by $104,000, or 0.1%, to $128,697,000 for 2014, from $128,801,000 for the comparable period in 2013. This decrease was primarily attributable to lower secondary gains from mortgage loans sold to investors and the decline in refinance activity as a result of the increase in mortgage loan rates in 2014.

Other revenues increased by $1,141,000, or 43.8%, to $3,747,000 for 2014 from $2,606,000 for the comparable period in 2013. This increase was due to an increase in mortgage servicing revenues.

Total benefits and expenses were $214,456,000, or 94.5% of total revenues, for 2014, as compared to $205,491,000, or 95.3% of total revenues, for the comparable period in 2013.

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Death benefits, surrenders and other policy benefits, and future policy benefits decreased by an aggregate of $280,000, or 0.6%, to $47,850,000 for 2014, from $48,130,000 for the comparable period in 2013. This decrease was primarily the result of a $1,535,000 decrease in future policy benefits, which was partially offset by increases of $1,052,000 in death benefits, and $203,000 in surrender and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by $1,711,000, or 33.0%, to $6,893,000 for 2014, from $5,182,000 for the comparable period in 2013. This increase was primarily due to increased amortization of the value of business acquired for new acquisitions and increased amortization for deferred policy costs due to an increased amount of insurance business terminating.

Selling, general and administrative expenses increased by $7,458,000, or 5.1%, to $154,865,000 for 2014, from $147,407,000 for the comparable period in 2013. This increase was primarily due to a $6,564,000 increase in personnel expenses, a $4,472,000 increase in other expenses, a $1,302,000 increase in the provision for loan losses, a $678,000 increase in rent and rent related expenses, a $556,000 increase in depreciation expense on property and equipment, and a $242,000 increase in costs related to funding mortgage loans. This increase was partially offset by a $6,103,000 decrease in commission expenses and a $253,000 decrease in advertising expenses.

Interest expense increased by $140,000, or 4.9%, to $2,994,000 for 2014, from $2,854,000 for the comparable period in 2013. This increase was primarily due to a new bank loan entered into by Security National Life for real estate offset by a reduction in outstanding balances on warehouse lines of credit used to fund mortgage loans.

Cost of goods and services sold of the cemeteries and mortuaries decreased by $66,000, or 3.4%, to $1,853,000 for 2014, from $1,919,000 for the comparable period in 2013. This decrease was primarily due to a decrease in mortuary at-need sales and a decrease in cemetery pre-need and at-need sales.

Other comprehensive income for the years ended December 31, 2014 and December 31, 2013 amounted to gain of $220,000 and a loss of $716,000, respectively. This increase of $936,000 in 2014 was primarily the result of a gain of $1,307,000 in derivatives related to mortgage loans offset by a $371,000 unrealized loss in marketable securities.

Risks

The following is a description of the most significant risks facing the Company and how it mitigates those risks:

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

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

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

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions. The amounts expensed for loan losses in years ended December 31, 2015, 2014 and 2013 were $6,295,000, $3,053,000 and

$1,846,000, respectively, and the charge to expense has been included in selling, general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2015 and 2014, the balances were $2,806,000 and $1,718,000, respectively. The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of December 31, 2015. There is a risk, however, that future loan losses may exceed the loan loss reserves and allowances.

As of December 31, 2015, the Company's long term mortgage loan portfolio consisted of $5,458,000 in mortgage loans with delinquencies more than 90 days. Of this amount, $3,180,000 of the loans were in foreclosure proceedings. The Company has not received or recognized any interest income on the $5,458,000 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2015 and 2014, the Company decreased its allowance for mortgage losses by $31,000 and increased its allowance for mortgage losses by $389,000, respectively, which was charged to bad debt expense and included in selling, general and administrative expenses for the period. The allowances for mortgage loan losses as of December 31, 2015 and 2014 were $1,848,000 and $2,003,000, respectively.

At various times third party investors have asserted that SecurityNational Mortgage sold mortgage loans that allegedly contained borrower misrepresentations or experienced early payment defaults, or that were otherwise allegedly defective or not in compliance with loan purchase agreements involving SecurityNational Mortgage. As a result of these claims, third party investors have made demands at times that SecurityNational Mortgage repurchase certain alleged defective mortgage loans that were sold to such investors or indemnify them against any losses related to such loans.

The total amount of potential claims by third party investors is difficult to determine. The Company has reserved and accrued $2,806,000 as of December 31, 2015 to settle all such investor related claims. The Company believes that the reserve for mortgage loan losses, which includes provisions for probable losses and indemnification on mortgage loans sold to investors, is reasonable based on available information. Moreover, the Company has successfully negotiated acceptable settlement terms with other third party investors that asserted claims for mortgage loan losses against SecurityNational Mortgage.

SecurityNational Mortgage disagrees with the repurchase demands and notices of potential claims from third party investors. Furthermore, SecurityNational Mortgage believes there is potential to resolve the alleged claims by the third party investors on acceptable terms. If SecurityNational Mortgage is unable to resolve such claims on acceptable terms, legal action may ensue. In the event of legal action by any third party investor, SecurityNational Mortgage believes it has significant defenses to any such action and intends to vigorously defend itself against such action.

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

<u>Mortality and Morbidity Risks</u>. The risk that the Company's actuarial assumptions may differ from actual mortality and morbidity experiences may cause the Company's products to be underpriced, may cause the Company to liquidate insurance or other claims earlier than anticipated, and other potentially adverse consequences to the business. The Company minimizes this risk through sound underwriting practices, asset and liability duration matching, and sound actuarial practices.

<u>Estimates</u>. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The estimates susceptible to significant change are those used in determining the liability for future policy benefits and claims, those used in determining valuation allowances for mortgage loans on real estate, construction loans, estimate of probable loan loss reserve, and other receivables, and those used in determining the estimated future costs for pre-need sales. Although some variability is inherent in these estimates, management believes the amounts provided are adequate.

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 maturity of held to maturity investments or sale of other investments. The mortgage subsidiaries realize cash flow from fees generated by originating and refinancing mortgage loans and interest earned on mortgages sold to investors. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses related to the issuance of new policies, the maintenance of existing policies, debt service, and to meet current operating expenses.

During the twelve months ended December 31, 2015 and 2014, the Company's operations used and provided cash of $15,831,000 and $31,016,000, respectively. This was due primarily to a $47,752,000 increase in 2015 and a $7,362,000 decrease in 2014 in the balance of mortgage loans sold to investors.

The Company’s liability for future life, annuity and other benefits is expected to be paid out over the long-term due to the Company’s market niche of selling funeral plans. Funeral plans are small face value life insurance that will pay the costs and expenses incurred at the time of a person’s death. A person generally will keep these policies in force and will not surrender them prior to a person’s death. Because of the long-term nature of these liabilities, the Company is able to hold to maturity its bonds, real estate and mortgage loans thus reducing the risk of liquidating these long-term investments as a result of any sudden changes in market 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. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company’s products. The Company’s investment philosophy is intended to provide a rate of return, which will persist during the expected duration of policyholder and cemetery and mortuary liabilities regardless of future interest rate movements.

The Company’s investment policy is also to invest predominantly in fixed maturity securities, real estate, mortgage loans, and warehousing of mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to $144,946,000 and $134,406,000 as of December 31, 2015 and 2014, respectively. This represents 35.8% and 30.9% of the total investments as of December 31, 2015, and 2014, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. At December 31, 2015, 8.3% (or $11,990,000) and at December 31, 2014, 6.8% (or $9,192,000) 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 has classified certain of its fixed income securities, including high-yield securities, in its portfolio as available for sale, with the remainder classified as held to maturity. In accordance with Company policy, however, any such securities purchased in the future will be classified as held to maturity. Notwithstanding, business conditions may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event, the Company believes it could sell short-term investment grade securities before liquidating higher yielding longer-term securities.

See Note 2 of the Notes to Consolidated Financial Statements for the schedule of the maturity of fixed maturity securities and for the schedule of principal payments for mortgage loans on real estate and construction loans held for investment.

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

If market conditions were to cause interest rates to change, the market value of the Company's fixed income portfolio, which includes bonds, preferred stock, and mortgage loans, could change by the following amounts based on the respective basis point swing (the change in the market values were calculated using a modeling technique):

	-200 bps	-100 bps	+100 bps	+200 bps
Change in Market Value (in thousands)	$21,366	$10,683	$(12,759)	$(22,300)

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At December 31, 2015 and 2014, the life insurance subsidiaries exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity, and bank debt and notes payable were $152,154,000 as of December 31, 2015, as compared to $126,111,000 as of December 31, 2014. Stockholders' equity as a percent of total capitalization was 73.1% and 77.0% as of December 31, 2015 and December 31, 2014, respectively. Bank debt and notes payable increased by $11,889,000 for the twelve months ended December 31, 2015 as compared to December 31, 2014, thus decreasing the stockholders equity percentage.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance was 7.4% in 2015 as compared to a rate of 7.0% for 2014.

At December 31, 2015, $35,960,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of state insurance regulatory authorities.

Forward-Looking Statements

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

This Annual Report on Form 10-K contains forward-looking statements, together with related data and projections, about the Company's projected financial results and its future plans and strategies. However, actual results and needs of the Company may vary materially from forward-looking statements and projections made from time to time by the Company on the basis of management's then-current expectations. The business in which the Company is engaged involves changing and competitive markets, which may involve a high degree of risk, and there can be no assurance that forward-looking statements and projections will prove accurate.

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

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Off-Balance Sheet Agreements

At December 31, 2015, the Company was contingently liable under a standby letter of credit aggregating $576,776, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's captive insurance program. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid. Accordingly, the estimated fair value of these instruments is zero.

At December 31, 2015, the Company was contingently liable under a standby letter of credit aggregating $1,250,000, to be used as collateral to cover any contingency related to claims filed in states where the Company is licensed. The Company does not expect any material losses to result from the issuance of the standby letter of credit. Accordingly, the estimated fair value of these instruments is zero.

At December 31, 2015 the Company was contingently liable under a standby letter of credit aggregating $48,220, issued as a security deposit to guarantee payment of final bills for electric and gas utility services for a commercial real estate property owned by the Company in Wichita, Kansas.

SecurityNational Mortgage has entered into loan purchase agreements to originate and sell mortgage loans to three unaffiliated warehouse banks. On March 19, 2012, SecurityNational Mortgage and Wells Fargo Bank, N.A. (“Wells Fargo”) entered into a loan purchase agreement in which Wells Fargo agreed to provide a warehouse line of up to $55,000,000 to fund certain approved mortgage loans originated by SecurityNational Mortgage. On December 10, 2015, SecurityNational Mortgage and Wells Fargo agreed to an amendment to the March 19, 2012 loan purchase agreement to increase the amount of the warehouse line available to fund mortgage loans originated by SecurityNational Mortgage from $55,000,000 to $70,000,000.

On July 16, 2012, SecurityNational Mortgage and UBS Real Estate Securities Inc. (“UBS”) entered into a loan purchase agreement in which UBS agreed to provide a warehouse line of up to $30,000,000 to fund mortgage loans originated by SecurityNational Mortgage. On October 26, 2012, SecurityNational Mortgage and UBS agreed to an amendment to the July 16, 2012 loan purchase agreement to increase the amount of the warehouse line available to fund mortgage loans originated by SecurityNational Mortgage from $30,000,000 to $40,000,000. The loan purchase agreement between SecurityNational Mortgage and UBS expired on December 23, 2015.

On August 14, 2015, SecurityNational Mortgage entered into a loan purchase agreement with Texas Capital Bank. The loan purchase agreement provides a warehouse line of up to $30,000,000 to fund mortgage loans originated by SecurityNational Mortgage. SecurityNational Mortgage is listed as seller and the Company as guarantor in the agreement.

Generally, when mortgage loans are sold to the warehouse banks, the Company is no longer obligated to pay the amounts outstanding on the mortgage loans, but is required to pay a fee in the form of interest on the mortgage loans between the date the loans are sold to warehouse banks and the settlement date with the third party investors. The terms of the loan purchase agreements are typically for one year, with interest accruing on the mortgage loans at annual rates ranging from 2.5% to 2.75% over the 30-day LIBOR rate.

As of December 31, 2015, SecurityNational Mortgage had $197,890,000 in mortgage loans in which settlements with third party investors were still pending and Green Street Mortgage had $2,061,000 in mortgage loans in which settlements with third party investors were still pending.

The total of the Company unfunded residential construction loan commitments as of December 31, 2015 was $26,216,000.

The Company entered into a Construction and Term Loan Agreement (“Agreement”) between Zions First National Bank and Dry Creek Property Development, Inc., the Company’s wholly owned subsidiary. Under the terms of this Agreement the Company agrees to pay Zions First National Bank the current outstanding principal up to

Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

$27,500,000 plus interest. These funds are being used for the construction of a 282-unit multifamily development in Sandy City Utah. As of December 31, 2015, the Company has used $24,933,000 of these funds.

Contractual Obligations

The Company's contractual obligations as of December 31, 2015 and the payments due by period are shown in the following table:

	Less than 1 year	1-3 years	4-5 years	over 5 years	Total
Non-cancelable operating leases	$ 5,447,528	$ 8,050,425	$ 241,244	$ 22,321	$13,761,518
Bank and other loans payable	29,638,052	2,111,450	298,283	8,861,130	40,908,915
	$35,085,580	$10,161,875	$ 539,527	$8,883,451	$54,670,433

Casualty Insurance Program

In conjunction with the Company's casualty insurance program, limited equity interests are held in a captive insurance entity. This program permits the Company to self-insure a portion of losses, to gain access to a wide array of safety-related services, to pool insurance risks and resources in order to obtain more competitive pricing for administration and reinsurance and to limit its risk of loss in any particular year. The maximum exposure to loss related to the Company's involvement with this entity is limited to approximately $576,776, which is collateralized under a standby letter of credit issued on the insurance entity's behalf. See Note 9, "Reinsurance, Commitments and Contingencies," for additional discussion of commitments associated with the insurance program and Note 1, "Significant Accounting Policies", for further information on a standby letter of credit. As of December 31, 2015, there are no other entities that met the definition of a variable interest entity.

Quantitative and Qualitative Disclosures about Market Risk

The Company has no activities in derivative financial or commodity instruments other than those recorded and disclosed in the financial statements. See Note 18 of the consolidated financial statements included elsewhere in this Form 10-K. The Company's exposure to market risks (i.e., interest rate risk, foreign currency exchange rate risk and equity price risk) through other financial instruments, including cash equivalents, accounts receivable and lines of credit, is not material.

Market for the Registrant's Common Stock, Related Security Holder Matters, and Issuer Purchases of Equity Securities

The Company's Class A common stock trades on The NASDAQ National Market under the symbol "SNFCA." As of March 24, 2016, the closing sales price of the Class A common stock was $5.35 per share. The following were the high and low market closing sales prices for the Class A common stock by quarter as reported by NASDAQ since January 1, 2014:

	Price Range (1)	
	High	Low
Period (Calendar Year)		
2014		
First Quarter	$4.34	$3.49
Second Quarter	$4.06	$3.37
Third Quarter	$4.51	$3.67
Fourth Quarter	$5.39	$4.24
2015		
First Quarter	$5.94	$5.06
Second Quarter	$6.66	$4.99
Third Quarter	$7.75	$6.19
Fourth Quarter	$6.50	$5.61
2016		
First Quarter (through March 24, 2016)	$6.48	$5.35

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

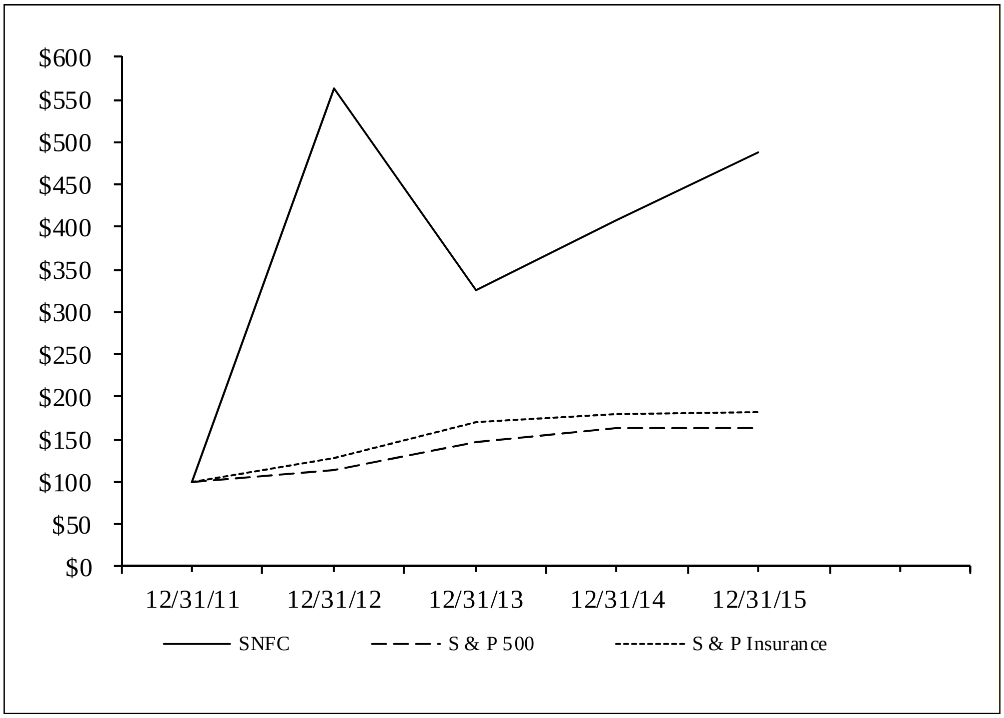
The Class C common stock is not registered or traded on a national exchange. See Note 11 of the Notes to Consolidated Financial Statements.

The Company has never paid a cash dividend on its Class A or Class C common stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C common stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate. A 5% stock dividend on Class A and Class C common stock has been paid each year from 1990 through 2015.

Market for the Registrant's Common Stock, Related Security Holder Matters, and Issuer Purchases of Equity Securities (Continued)

The graph below compares the cumulative total stockholder return of the Company's Class A common stock with the cumulative total return on the Standard & Poor's 500 Stock Index and the Standard & Poor's Insurance Index for the period from December 31, 2011 through December 31, 2015. The graph assumes that the value of the investment in the Company's Class A common stock and in each of the indexes was $100 at December 31, 2011 and that all dividends were reinvested.

The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of the Company's Class A common stock.



	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
SNFC	100	564	325	408	488
S & P 500	100	113	147	164	163
S & P Insurance	100	127	170	180	181

The graph set forth above is required by the Securities and Exchange Commission and shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Form 10-K into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed soliciting material or filed under such acts.

As of December 31, 2015, there were 3,521 record holders of Class A common stock and 78 record holders of Class C common stock.

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Financial Corporation

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