Security National
Financial Corporation

2019 ANNUAL REPORT

Security National

Family of Companies

Who We Are...

The roots of our company were planted deep in 1965 with the founding of Security National Life Insurance Company. Starting with only $543,000 in assets, in a small rented house in Salt Lake City, Utah, Security National has grown into a strong industry leader in several fields of service.

Over the past five decades we have grown consistently through new sales and investment opportunities, and through the acquisition of life insurance companies, funeral homes and cemeteries, as well as the formation and growth of our mortgage operations.

Profile

Our company operates three main business segments: life insurance, funeral service and mortgage loans. Our company is designed and structured so each segment relates to the others, and contributes to the profitability of the whole. For example, our cemetery and mortuary operations enjoy a high level of public awareness, assisting in the sales and marketing of our insurance and preneed cemetery and funeral products. Security National Life Insurance Company in turn invests its assets in high quality mortgage loans. Thus, while each segment is a stand-alone profit center, this horizontal integration is strategically planned to improve profitability. Additionally, our company actively pursues growth through acquisitions of life insurance companies and mortuaries, and through expanding our mortgage operations.

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

My Fellow Shareholders:

I am pleased to report on the affairs of our Company for the year ended December 31, 2019, and invite you to attend the annual Stockholders Meeting to be held June 26, 2020, in Salt Lake City, Utah.

I thought our Company had a strong operational performance in 2019. Excluding extraordinary items, meaning the gain from the sale of our Dry Creek Apartments in 2018 and the write-down on our Wichita office building in 2019, our pre-tax Operational Earnings increased from $3.9 million in 2018 to $16.6 million in 2019. That represented a 322% YOY improvement. While it is true that much of that improvement was centered in our mortgage segment, all of our business segments experienced significant and measurable operational improvement.

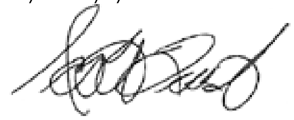
In addition to the improved operational performance, we were able to accomplish two significant acquisitions. In February 2019, we purchased Probst Family Funeral Homes, which has two locations located in Heber City and Midway, Utah. This acquisition expanded our Utah footprint and, given Probst's dominant market presence, enhanced our competitive position. In December we closed on our purchase of Kilpatrick Life Insurance Company. Kilpatrick was founded in 1932, is located in Shreveport Louisiana, and occupies a prominent position in its respective markets. The basic insurance business of Kilpatrick is funeral related insurance, similar to what the Company sells as its main insurance product. Several of the former principals of Kilpatrick have agreed to continue serving as members of the Kilpatrick Board of Directors, thus continuing their oversight of Kilpatrick and ensuring the same quality service for which Kilpatrick has been known. The acquisition of Kilpatrick, coupled with our organic growth, increased the Company's assets 27% YOY to $1.334 Billion.

Of course, the world today is a much different place than it was in 2019, and much different even than it was a few months ago. I believe our company has reacted well to the tremendous challenges placed upon it and our staff related to the COVID-19 pandemic. As March began, we had probably 85-90% of our staff working in our offices. As March ended, we had probably 15% working in our offices. The remaining approximately 85% now work remotely from their homes. I am very proud of how quickly our IT staff was able to implement such functionality.

Financial markets have reacted with wide swings in both the fixed income and equity markets. Interest rates have dropped precipitously with the two year treasury bill even dipping into negative interest rate territory briefly. While the lowered rates have sparked additional activity in our mortgage segment, profitably deploying cash has become more troublesome.

We are fortunate that most, if not all, of our businesses to date have been considered not "non-essential". However, even such formerly simple tasks as deed recordings and professional licensing have now become problematic. Traditionally a large percentage of our new customer sales activity has been consumer direct in-home sales. Such in-home transactions are becoming increasingly rare. We have reacted speedily with video and other remotely based sales presentation capabilities. The training of our sales force and the market acceptance of such new sales methods remains to be seen. Even where there is consistent demand, such as in funeral services, providing those services in today's environment has been challenging given the quarantines and group size limitations. While it is hazardous to guess how long such conditions will linger, it is nevertheless our job to understand and react to the present environment and to continue to provide our needed services and products on a profitable basis. I thank you for your continued support and hope to see you at our Annual Meeting on June 26, 2020.

Very truly yours,



Scott M. Quist
Chairman, President and Chief Executive Officer

SNFC Board of Directors and Officers

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
Audit Committee
Compensation Committee
Nominating and Corporate
Governance Committee

S. Andrew Quist

Vice President
General Counsel
Director
Executive Committee

Jason G. Overbaugh

Vice President
National Marketing
Director of Life Insurance
Director

Jeffrey R. Stephens

Secretary
Senior General Counsel

Garrett S. Sill

Chief Financial Officer
Treasurer

Christie Q. Overbaugh

Senior Vice President of Life
Insurance Internal Operations

Adam G. Quist

Vice President Memorial Services
Assistant Secretary
General Counsel

Diana C. Olson

Vice President
Finance

Stephen C. Johnson

Vice President
Mortgage Operations

Thayne D. Atkinson

Vice President
Chief Information Officer

John W. VanValkenburg

Vice President
Actuarial Services

Matthew G. Bagley

General Counsel

1965

1965 - The founding of Security National Life Insurance Company
1966 - The acquisition of Grand Canyon Life
1967 - The acquisition of Bankers Trust Life
1969 - The acquisition of American Alliance Life

1970

1970 - The acquisition of Charter Oak Life & Washington Life Assurance
1972 - The acquisition of Columbia Life
1973 - The acquisition of National Capital Life and Memorial Estates Companies
1979 - The organization of Security National Financial Corporation

1980

1981 - The acquisition of American Home Security Life
1984 - The acquisition of Western Investors policy block
1985 - The acquisition of Del Pueblo Life policy block and Cibola Life policy block
1986 - The acquisition of Investors Equity Life
1987 - IPO of Security National Financial Corporation and the acquisition of Southwest American policy block
1989 - The acquisition of Paradise Chapel Funeral Home

1990

1991 - The sale of Investors Equity Life and the acquisition of Deseret Memorial Group
1993 - The formation of SecurityNational Mortgage Company
1994 - The acquisition of Camelback Sunset Funeral Home and Capital Investors Life
1995 - The acquisition of Greer Wilson Funeral Home, Tolleson Funeral Home and Civil Service Employees Life
1996 - The dedication of Singing Hills Memorial Park
1997 - The acquisition of Crystal Rose Funeral Home and the formation of Adobe Funeral Home
1998 - The acquisition of Southern Security Life (FL)
1999 - The acquisition of Menlo Life policy block

2000

2000 - The organization of Southern Security Mortgage Company
2002 - The acquisition of Gulf National Life policy block and Acadian Life policy block
2004 - The acquisition of Paramount Security Life
2005 - The acquisition of Memorial Insurance Company of America
2007 - The acquisition of C&J Financial and Capital Reserve Life Insurance Company
2008 - The acquisition of Southern Security Life (MS)

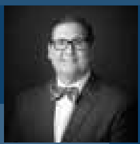
2010

2011 - The acquisition of North America Life policy block
2012 - The acquisition of Trans-Western Life
2012 - The formation of EverLEND Mortgage Company
2014 - The acquisition of American Funeral Financial
2016 - The acquisition of First Guaranty Insurance Company
2018 - The acquisition of Beta Capital Corporation
2019 - The acquisition of Probst Family Funeral Homes
2019 - The acquisition of Kilpatrick Life Insurance Company

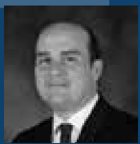
LEADERSHIP TEAM

Scott Quist
Chief Executive Officer
and President

Jason Overbaugh
Vice President
National Sales Director

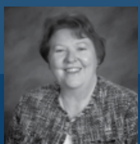


Guy Winstead
Vice President of Sales
Preneed & Final Expense Divisions



Jason Richardson
Vice President of Sales
Home Service Division

Tommy Overton
National Sales Director
Final Expense Divisions

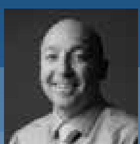


Christie Overbaugh
Sr. Vice President of
Internal Operations

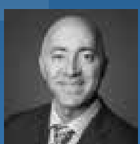
Marty Rich
Director of Sales Operations

Wendi Beauchaine
Chief Underwriter

Jon Meredith
Director of Policy Administration



Galen Mills
Policy Service Manager



Mike Varanakis
Marketing Director

SNL Security National
Life Insurance Company

We specialize in affordable and convenient products that "make sense" for you and your family. Let SNL show you a better way.

The unavoidable reality is that life ends. It is an event that none of us can avoid. We can either prepare for the unavoidable, or we leave that responsibility for others. There really is no middle ground. Those who care, prepare.

When the end of life occurs, those you leave behind (spouse, children, family, friends, loved ones) are left to deal with their feelings of loss without your help. Funerals and memorial services can seem like extravagant ceremonies with little benefit. In truth though, they are important for those left behind because they give a chance for closure, a chance to start the grieving process, and a way to find understanding and meaning in an unavoidable and often untimely event.

What is Preneed?

A celebration of life. A tribute to family. A treasured memory for loved ones. Your funeral is an expression of your life and a gift to the friends and family you leave behind. By pre-funding this tribute with life insurance from Security National Life you are assured your wishes will be honored. Preneed is the pre-planning and funding of a funeral before one needs to do so at the time of a death.

What is Final Expense?

It is an act of caring, and of preparation; ultimately it is an expression of compassion and responsibility for those you leave behind. New responsibilities arise when a life ends. Final Expense insurance provides an affordable and convenient solution for those responsibilities. The passing of a loved one can be a traumatic event for those left behind, Final Expense insurance provides an affordable and convenient way to

manage the financial aspects of the end of life. Even if you have fully prepared, Final Expense Insurance can provide the safety net to take care of those unanticipated items that will allow you to tell your loved ones "It is all taken care of."

What is Home Service?

Home Service is a family-oriented organization that cares for and is committed to serving our clients with integrity and respect. We offer a combination of sales and on-going service within the home, including insurance review and premium collections, to provide peace of mind to individuals and families through an affordable funeral plan. The Home Service Division partners with almost 1,000 agents and funeral homes—together serving over 320,000 policy holders. With coverage amounts starting at $1,000 in most states and going up to $50,000, our plans assure that our customers will have the dignity to bury their loved ones without worrying about the costs.

Kilpatrick Life Insurance Company

Security National Life recently acquired Kilpatrick Life Insurance Company in 2019. Kilpatrick is based in Shreveport, LA with roots dating back to 1932. Through three generations, the Kilpatrick family has overseen tremendous company growth and expansion. Kilpatrick Life Insurance is an easy fit to the Security National family with its family focus and priority. With award winning service, we are proud to join in one mission to serve families across the nation.

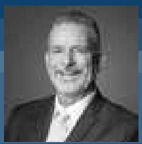
SALES TEAM

Todd Clendennen
Regional Vice President of Sales
Preneed Division

Johnny Cabrera
Regional Director of Sales
Preneed Division

Graciela Jaloma
Regional Director of Sales
Preneed Division

Wayne Kirton
Regional Sales Manager
Preneed Division



Ed Bush
Regional Sales Manager
Preneed Division

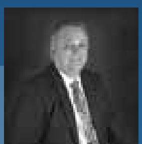
Jeremy Cox
Director of Sales Development
Final Expense Division

Larry Burton
Regional Sales Manager
Home Service Division

Greg Halcomb
District Sales Manager
Home Service Division

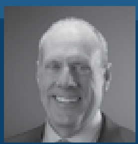
Randy Martin
Districk Sales Manager
Home Service Division

Nathan Laviolette
District Sales Manager
Home Service Division

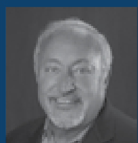


LEADERSHIP TEAM

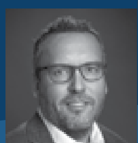
Scott Quist
Chief Executive Officer



Steve Johnson
President



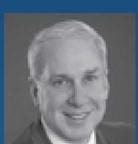
J. Paul Christensen
Sr. Vice President,
National Sales Director



Cory Taylor
Vice President,
Production

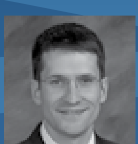
Eric Bergstrom
Chief Strategy Officer

Jacob Banks
Chief Financial Officer

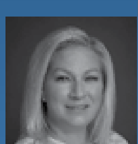


Mike Brumble
Chief Compliance Officer

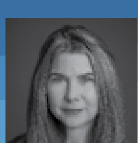
Michael Muirbrook
Vice President,
Servicing & Audits



Dave Bennett
Vice President,
Market Execution



Karie Wakefield
Vice President,
Fulfillment



Heather Street
Executive Director,
Business Services

Wes Schueneman
Director,
Marketing

We're SecurityNational Mortgage

A mortgage company with a rock-solid reputation

Our clients can feel confident that they're getting the guidance and professional treatment they deserve. With over 25 years of experience, *SecurityNational Mortgage Company* has the consistent track record and dependable financial backing of *Security National Financial Corporation*, our publicly traded parent company (NASDAQ: SNFCA). We've steadfastly weathered all the ups and downs of the economy and gained a reputation for outstanding leadership in the home loan market.

We've got professional mortgage branches from coast-to-coast, and hundreds of experienced loan professionals ready to take our clients through the loan process with top-notch service. Not to brag, but we're also consistently ranked a Top 50 mortgage company by Scotsman Guide in the United States.

Scotsman Guide
Top Mortgage Lenders

Welcome
to your journey home

Professional service

Buying a home can be one of the most stressful life experiences. We understand that, and we work hard to turn a complex process into a comfortable one. Our clients can count on us to guide them through the whole loan process, end to end, and ensure a smooth closing. They can worry about where they're going to hang the TV — we'll worry about the financial details.

What they need when they need it

Every client is unique, so the service they get should be tailored to their needs. Unlike a one-size-fits-all organization, we're a full-service lender with a wide range of loan products and competitive interest rates to meet our client's specific situation. Our in-house underwriting and processing expertise means a fast and reliable loan experience for each client we serve.

STATS

$2.6 Billion Loan Volume

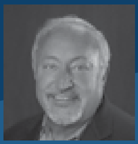
11,119 Loan Units

278 Loan Officers

72 National Branch Offices

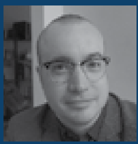
REGIONAL MANAGERS

J. Paul Christensen
Executive Regional Manager, Region 1

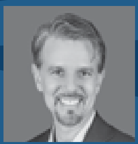


David Christensen
Executive Regional Manager, Region 2

Sean Christensen
Executive Regional Manager, Region 2



Troy Mannella
Executive Regional Manager, Region 3



Joel Harward
Executive Regional Manager, Region 4

Lisa Newman
Executive Regional Manager, Region 5

Scott Shelton
Executive Regional Manager, Region 6

SN®
Security National
MORTGAGE

Turning Houses into Homes®

everLEND MORTGAGE

We have a robust portfolio of loan products to serve our clients. Our professional loan specialists match your needs by filtering over 250 different products, to find the one that will best meet your needs. Every home. Every loan.

EverLEND is a locally focused mortgage lender that values client satisfaction and long-term relationships over production volumes and becoming the largest lender in the area. We have a philosophy of using technology where appropriate to enhance the personal relationships and customer experience. Being locally focused, we can avoid many of the regulatory and systemic challenges that a national company faces. Our focus also allows us to pursue local opportunities to support our partners, which might be overlooked by national lenders. We like to think that we are the right size for great personal service.

44%

Purchase Volume Increased 44% from 2018 to 2019

Our Foundation

Our parent company was founded in 1965, so we have the strength and business experience to ensure a stable offering for our clients. Our team is comprised of seasoned veterans with an impressive depth of knowledge to help you select and secure the best possible mortgage loan product to meet our client's goals.

Passion is what drives our company to stand out amongst the sea of lenders. We are a team of unique individuals that give our best efforts to over-deliver for our clients and maintain a fun, rewarding work environment. Finding solutions that are the right fit for our clients, no matter how complex, gets us up in the morning.

66%

Total Funded Volume Increased 66% from 2018 to 2019

Long Term Relationships

We recognize how important it is to create a low-stress and empowering process so that you remain in communication with your loan team, and they help you become a better-educated client along the way. Our professional loan officers keep you updated throughout the loan process. We want to be your lender for life!

LEADERSHIP TEAM

Andrew Quist
Chairman of the Board and President

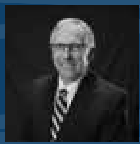
Mark McDonald
Chief Executive Officer

Chris Sleater
Operations Manager

Jack Helgesen
Support Services Manager

Tracy Anderson
Senior Graphic Designer

LEADERSHIP TEAM

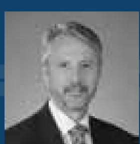


Scott Quist
Chief Executive Officer

Adam Quist
Vice President and
Chief Operating Officer

Jordan Buckner
Vice President of Marketing
and Funeral Home Operations

Josh Atkinson
General Sales Director
Utah Cemeteries



Scott Prine
Manager
Singing Hills Memorial Park

MEMORIAL
MORTUARIES & CEMETERIES

Memorial provides excellent customer service, peace of mind, and personalized funeral and cemetery services to families in Utah and San Diego.

Memorial Mortuaries & Cemeteries is Utah's pre-eminent funeral and cemetery service provider. Memorial operates 10 funeral homes and 5 cemeteries in Utah along with one cemetery in San Diego, California. Additionally, Memorial operates Affordable Funerals & Cremations, which has two locations in Utah.

Our Mission

Memorial's mission is to provide customers with peace of mind and comfort while planning for and while experiencing end of life events. This is accomplished through Memorial's internal commitment to treat each family we serve as if they were one of their own and holding each other accountable as the best funeral and cemetery professionals. Memorial excels at providing unique and special experiences for each of the families they serve and at providing families the tools and resources to help personalize their funeral and/or cemetery service.

Memorial's goal is growth. Growth will allow the company to continue providing excellent services to families in Utah, California and beyond. Growth also provides increased opportunities and improved livelihood for Memorial's employees.

With growth in mind, Memorial opened a new location in St. George, Utah under its "Affordable Funerals & Cremations" brand in 2017. Affordable now operates two locations, one in Salt Lake City and the second in St. George. Memorial also acquired Probst Family Funerals in 2019.

Over the past several years, Memorial has realized double digit net income growth, averaging over 25% operational income growth each year since 2014.

Winner: Best of State Three Years in a Row

Memorial Mortuaries and Cemeteries was recently awarded Best of State for Funeral Services for the third year in a row. Affordable Funerals and Cremations was also awarded Best of State for Budget Funerals two years in a row. Criteria for the awards are based on overall excellence, superiority and quality of a nominee's products, services or performance, differentiating themselves from their competitors and improving the quality of life for their neighbors.

The Best of State Awards were created to recognize outstanding individuals, organizations, and businesses in Utah. By recognizing excellence in the community and sharing examples of success for many worthy endeavors the awards motivate and reward those who have strived for excellence in their respective fields.

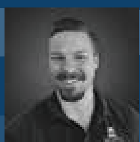
Acquisition of Probst Family Funerals & Cremations

Memorial recently acquired Probst Family Funerals & Cremations, a Utah based funeral services provider with two locations in the Heber Valley, a community 45 minutes southeast of Salt Lake City. Probst Family Funerals was established in 2013, and began its operations in Midway, Utah. In 2016, the owners also acquired Olpin Hoopes Funeral Home located in Heber City, Utah, which it operated under the name of Heber Valley Funeral Home. These businesses have grown to serve hundreds of families each year in the Heber Valley area. With this acquisition, Memorial Mortuaries and Cemeteries is now one of Utah's largest funeral providers, with ten funeral homes and five cemeteries located throughout the state.

LEADERSHIP TEAM

Brandon Federico
Manager of Corporate Real Estate

Gina Carter
Propterty Manager



Seth Anderson
Facilities Manager

Security National REAL ESTATE

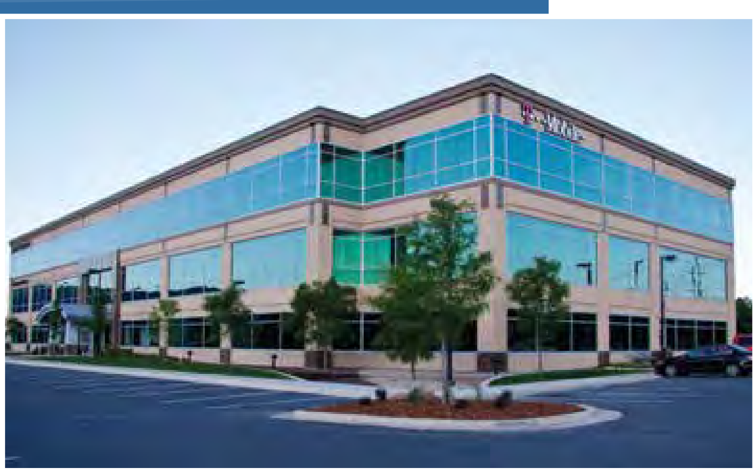
Security National Real Estate manages both commercial and residential properties through wise investment strategies.

Security National Real Estate is a wholly owned subsidiary of Security National Life and offers property management and leasing services. Each of our commercial properties is a fine example of the wise investment strategy of our management team. The team consists of an eight member staff handling sales, maintenance, and remodeling to suit the needs of new and existing tenants. Our rental properties consist of approximately 80 residential and 60 commercial leases. All properties have the potential for development or raw land with plans for future improvements.

Security National Corporate Headquarters

Security National Financial has broken ground on Security National's own corporate headquarters. Featuring a similar design to the existing Center 53 Campus, the new building will house employees for all Salt Lake City based divisions.

- 6-story Office Building
- Approximately 200,000 sf
- Adjacent to I-15
- Scheduled to open Summer 2021



Wasatch 16

- 78,000 sf class A building located in Draper, Utah
- Key tenants include T-Mobile, Credit Corp Services, Journey Team – Microsoft Partner.

Center 53 Campus

Security National Real Estate is developing and leasing approximately 1,000,000 square feet of commercial real estate at the center of the Wasatch Front. The project, Center 53, encompasses over 20 acres in the central valley of Salt Lake City which is only 30 minutes from anywhere along the Wasatch Front. Current full floor tenants include: R1, Finicity, and SoFi.

Each of the buildings in the campus will have the following features:

- Large floor plates with great views of the Salt Lake Valley
- Exterior features include natural stone, glass curtain walls and terraneo finish
- Large modern lobby with wood walls and large format tile feature walls
- Fitness center with cardio and weight stations
- Structured parking
- Easy access to freeway
- Centrally located in the Salt Lake Valley

Cabela's

- Purchased in 2018
- 70,000 sf of retail
- Located in Farmington, Utah at Station Park
- 25 year lease with Cabela's

Security National
COMMERCIAL CAPITAL®

Our passion is commercial real estate finance. We are your commercial loan source.

Security National Commercial Capital is a wholly owned subsidiary of Security National Life and originates interim/bridge loans to enhance the mortgage banker's traditional long-term lender relationships with a faster closing, flexible, interim loan product intended to provide a bridge until a property stabilizes and conventional long-term financing can be obtained. These loans are designed to facilitate the purchase, refinance, leveraging or ownership change of good quality, performing commercial real estate. We lend on investor or owner/occupied real estate, including single or multi-tenant office, retail, office, warehouse, and multifamily properties. We also provide construction lending that compliments SecurityNational Mortgage on approved new residential construction and on select Commercial construction projects throughout the United States.

"Our loans are generated using relationships..."

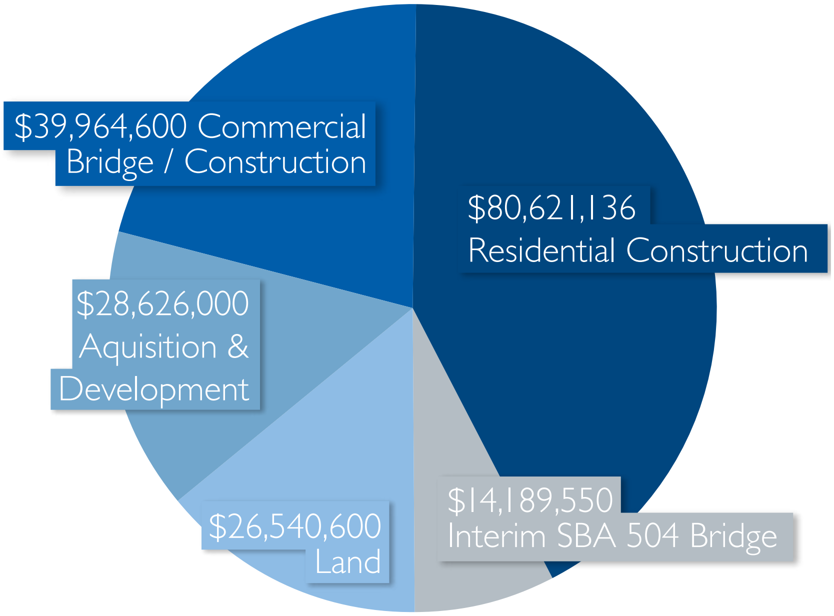
Our loans are generated using relationships with mortgage bankers, other life insurance companies, commercial banks, website requests, referrals from past business relationships, commercial lending institutions, Real Estate professionals, Wall Street investors, and through publication advertising. Our target loan size is between $1,000,000 and $4,500,000, with a maximum term of 3 years (12-month term preferred). We also provide interim bridge financing for SBA-504 loans waiting for debenture funding.

"Our target loan size is between $1,000,000 and $4,500,000..."

We offer flexible fast funding commercial real estate loans, and respect our fiduciary responsibility to Security National Life's insureds by providing secure, higher yielding investments. We provide competitive products and service to borrowers and the desired return to our shareholders.

To learn more, visit www.sncloans.com for a presentation of products offered.

Some of our many properties funded:



2019 SNCC Originations

LEADERSHIP TEAM

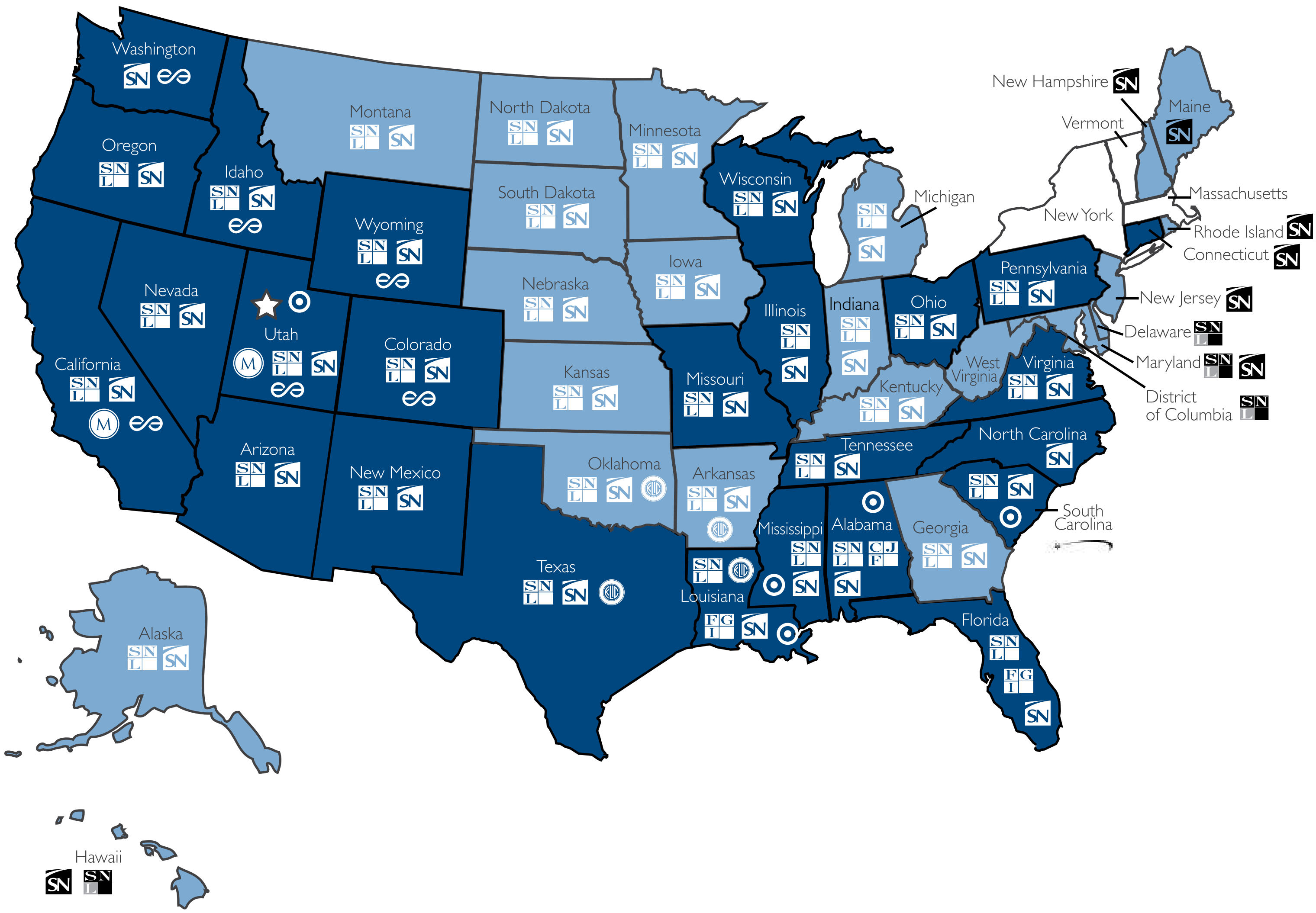
Steven R. Peterson
Executive Vice President
and Manager

Henry Kesler
Vice President

Tom Coleman
SBA Manager

Jerred Nelson
Construction Loan Manager

Where We Are



Legend

- Sales Office
- License Held
- No License Held
- Corporate Headquarters
- Operations
- Security National Life
- Kilpatrick Life
- First Guaranty Life
- Memorial Mortuaries & Cemeteries
- SecurityNational Mortgage
- EverLEND Mortgage
- C&J Financial, LLC Office
- American Funeral Financial Office

SNFC Corporate Offices

Security National Financial Corporation
121 Election Road, Suite 100
Draper, UT 84020

P.O. Box 57250
Salt Lake City, UT 84157-0250
Telephone: (801) 264-1060
Toll Free: (800) 574-7117
Fax: (801) 264-8430

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 2019 (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
Deloitte & Touche LLP
Salt Lake City, Utah

Outside Legal Counsel
Mackey Price Law
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
121 Election Road, Suite 100
Draper, UT 84020
Telephone: (800) 574-7117

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

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

Kilpatrick Life Insurance Company
1818 Marshall St.
Shreveport, LA 71101
Telephone: (800) 235-0555

Fast Funding Offices

C&J Financial, LLC
200 Market Way
Rainbow City, AL 35906
Telephone: (800) 785-0003

American Funeral Financial
6000 Pelham Road Suite B
Greenville, SC 29615
Telephone: (877) 213-4233

Mortuaries & Cemeteries

Memorial Group Operations
121 Election Road, Suite 110
Salt Lake City, UT 84020
Telephone: (801) 268-8771

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

Memorial Lake Hills Mortuary & Cemetery
10055 S. State Street
Sandy, UT 84070
Telephone: (801) 566-1249

Memorial Lake View Mortuary & Cemetery
1640 E. Lakeview Drive
Bountiful, UT 84010
Telephone: (801) 298-1564

Memorial Murray Mortuary
5850 S. 900 E.
Murray, UT 84121
Telephone: (801) 262-4631

Memorial Mountain View Mortuary & Cemetery
3115 E. 7800 S.
Cottonwood Heights, UT 84121
Telephone: (801) 943-0831

Memorial Redwood Mortuary & Cemetery
6500 S. Redwood Road
West Jordan, UT 84123
Telephone: (801) 969-3456

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

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

Affordable Funerals & Cremations
5239 Greenpine Drive
Murray, UT 84123
Telephone: (801) 287-8233

Affordable Funerals & Cremations
St. George Location
157 E. Riverside Drive #3A
St. George, UT 84790
Telephone: (435) 680-7035

Heber Valley Funeral Home
288 N. Main Street
Heber City, UT 84032
Telephone: (435) 654-5458

Probst Family Funeral Home
79 E. Main Street
Midway, UT 84049
Telephone: (435) 654-5959

EverLEND Mortgage Offices

EverLEND–Operations
1111 Brickyard Road #107
Salt Lake City, UT 84106
Telephone: (801) 713-4800

UTAH
Layton
1133 North Main Street #150
Layton, UT 84041
Telephone: (801) 926-9925

Pleasant Grove
590 West State Street
Pleasant Grove, UT 84062
Telephone: (801) 910-0982

SNMC Mortgage Offices

SecurityNational Mortgage Company–Operations
5201Green Street
Salt Lake City, UT 84123
Telephone: (801) 264-8111

SNMC Sales Offices

ARIZONA
Mesa
1819 S. Dobson, Suite 203
Mesa, AZ 85202
Telephone: (602) 732-3993

1930 South Alma School Road
Suite B-201
Mesa, AZ 85210
Telephone: (844) 820-8699

Scottsdale
16427 N. Scottsdale Road #440
Scottsdale, AZ 85254
Telephone: (480) 237-4670

17015 N. Scottsdale Road #125
Scottsdale, AZ 85255
Telephone: (480) 426-0400

Phoenix
77 E. Weldon Ave, Ste 220
Phoenix, AZ 85012
Telephone: (734) 945-5403

5100 N 99th Ave, Unit 101 & 103
Phoenix, AZ 85037
Telephone: (602) 273-9610

2828 No. Central Ave.
Suite 1006 &1018
Phoenix, AZ 85004
Telephone: (480) 424-2780

4725 N 19th Ave.
Phoenix, AZ 85015
Telephone: (844) 820-8699

CALIFORNIA
West Covina
1050 W. Lakes Drive #225 & 250
West Covina, CA 91790
Telephone: (626) 508-3004

COLORADO
Edwards
27 Main Street Suite C-104B
Edwards, CO 81632
Telephone: (970) 855-0466

FLORIDA
Ft. Myers
8191 College Parkway Suite 302
Ft. Myers, FL 33919
Telephone: (888) 550-9221

Lake Mary
1145 Townpark Avenue #2215
Lake Mary, FL 32746
Telephone: (407) 302-8384

136 Parliament Loop #1030
Lake Mary, FL 32746
Telephone: (407) 302-8384

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

Seminole
8265 113th St.
Seminole, FL 33772
Telephone: (727) 498-3570

HAWAII
Lihue
4370 Kukui Grove Street
Suite #201
Lihue, HI 96766
Telephone: (808) 823-8050

Kapolei
1001 Kamokila Boulevard, Suite 319
Kapolei, HI 96707
Telephone: (808) 427-9960

INDIANA
Indianapolis
9963 Crosspoint Blvd.
Suite 101 &102
Indianapolis, IN 46256
Telephone: (317) 572-6271

IDAHO
McCall
116 N. 3rd Street #12
McCall, ID 83638
Telephone: (208) 634-2767

MISSOURI
Branson
4987 Fall Creek Rd #1
Branson, MO 65616
Telephone: (417) 616-3341

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

Las Vegas
1980 Festival Plaza Drive, Suite 850
Las Vegas, NV 89135
Telephone: (702) 562-8733

OHIO
Columbus
8720 Orion Place Suite 160
Columbus, OH 43240
Telephone: (614) 441-9978

OREGON
Clackamas
10365 SE Sunnyside Road #310
Clackamas, OR 97015
Telephone: (971) 544-7192

Portland
10610 SE Washington, Suite C
Portland, OR 97216
Telephone: (503) 251-5482

3311 NE MLK Jr Blvd #203
Portland, OR 97212
Telephone: (503) 308-6127

Tilamook
709 Pacific Ave.
Tillamook, OR 97141
Telephone: (855) 352-3744

SOUTH CAROLINA
Mauldin
213 E. Butler, Suite E-1
Mauldin, SC 29662
Telephone: (855) 203-1300

TENNESSEE
Franklin
6640 Carothers Parkway, Ste 110
Franklin, TN 37067
Telephone: (615) 721-2934

Johnson City
208 Sunset Drive, Suite 403 & 404
Johnson City, TN 37604
Telephone: (423) 491-7140

Memphis
6263 Poplar Ave, Suite 1150
Memphis, TN 38119
Telephone: (407) 302-8384

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

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

Dallas
7920 Belt Line Road, Suite 158,
Dallas, TX 75254
Telephone: (214) 730-0021

Eagle Pass
240 N. Adams St, Suite 4 & 5
Eagle Pass, TX 78852
Telephone: (830) 776-4323

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

Farmer's Branch
4100 Alpha Road, Suite 650
Farmer's Branch, TX 75244
Telephone: (469) 374-9700

Fort Worth
5020 Collinwood Ave. Suite100
Fort Worth, TX 76107
Telephone: (817) 945-2551

Houston
11550 Fuqua, Suite 200
Houston, TX 77034
Telephone: (346) 203-9981

17347 Village Green Dr. Ste. 102
Houston, TX 77040
Telephone: (832) 615-5400

Hurst
1848 Norwood Plaza #213
Hurst, TX 76054
Telephone: (214) 444-9250

Katy
24668 Kingsland Blvd
Katy, TX 77494
Telephone: (832) 786-6699

Laredo
2408 Jacaman Rd. Suite F
Laredo, TX 78041
Telephone: (956) 284-0888

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

Mansfield
1900 Country Club Drive, Suite 150
Mansfield, TX 76063
Telephone: (855) 203-1300

Mesquite
3220 Gus Thomasson Rd, Ste 111-B
Mequite, TX 75150
Telephone: (855) 203-1300

Weatherford
602 S. Main Street #200
Weatherford, TX 76086
Telephone: (855) 203-1300

UTAH

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

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

Ephraim
497 S Main, Suite E.
Ephraim, UT 84627
Telephone: (435) 283-3000

Lehi
1350 E. 300 S.
3rd Floor,
Lehi, UT 84043
Telephone: (385) 484-7200

Orem
1145 South 800 East, Suite 201
Orem, UT 84097
Telephone: (801) 724-6425

Sandy
75 West Towne Ridge Parkway
Ste 100
Sandy, UT 84070
Telephone: (801) 262-6033

126 West Sego Lily Drive #260
Sandy, UT 84070
Telephone: (801) 571-1313

South Jordan
11240 So. River Heights Drive
Suite 100
South Jordan, UT 84095
Telephone: (801) 508-6300

Stansbury Park
500 East Village Blvd., Unit #110
Stansbury Park, UT 84074
Telephone: (435) 843-5340

Taylorsville
5965 South Redwood Rd
Taylorsville, UT 84123
Telephone: (385) 474-6293

6575 S. Redwood Rd #225
Taylorsville, UT 84123
Telephone: (801) 727-7600

VIRGINIA

Sterling
21430 Cedar Dr, Unit 200-202
Sterling, VA 20164
Telephone: (703) 880-1841

WASHINGTON

Vancouver
15640 NE Fourth Plain Blvd
#220 & 221
Vancouver, WA 98682
Telephone: (360) 869-7265

Deloitte & Touche LLP

111 South Main Street
Suite 1500
Salt Lake City, UT 84111
USA

Tel: +1 801 328 4706
Fax: +1 801 366 7900

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years then ended, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

Deloitte & Touche LLP

Salt Lake City, UT
March 30, 2020

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
Assets	**2019**	**2018**
Investments:		
Fixed maturity securities, available for sale, at estimated fair value	$ 355,977,820	$ -
Fixed maturity securities, held to maturity, at amortized cost	-	232,078,723
Equity securities at estimated fair value	7,271,165	5,558,611
Mortgage loans held for investment (net of allowances for loan losses of $1,453,037 and $1,347,972 for 2019 and 2018)	236,694,546	186,465,069
Real estate held for investment (net of accumulated depreciation of $12,788,739 and $16,739,578 for 2019 and 2018)	102,756,946	121,558,222
Real estate held for sale	14,097,627	-
Other investments and policy loans (net of allowances for doubtful accounts of $1,448,026 and $1,092,528 for 2019 and 2018)	60,245,269	46,617,655
Accrued investment income	4,833,232	3,566,146
Total investments	781,876,605	595,844,426
Cash and cash equivalents	127,754,719	142,199,942
Loans held for sale at estimated fair value	213,457,632	136,210,853
Receivables (net of allowances for doubtful accounts of $1,724,156 and $1,519,842 for 2019 and 2018)	9,236,330	8,935,343
Restricted assets (including $2,985,347 and $744,673 for 2019 and 2018 at estimated fair value)	13,935,317	10,981,562
Cemetery perpetual care trust investments (including $2,581,124 and $483,353 for 2019 and 2018 at estimated fair value)	4,411,864	4,335,869
Receivable from reinsurers	15,747,768	10,820,102
Cemetery land and improvements	9,519,950	9,878,427
Deferred policy and pre-need contract acquisition costs	94,701,920	89,362,096
Mortgage servicing rights, net	17,155,529	20,016,822
Property and equipment, net	14,600,394	7,010,778
Value of business acquired	9,876,647	5,765,190
Goodwill	3,519,588	2,765,570
Other	18,649,812	6,684,143
Total Assets	$1,334,444,075	$ 1,050,811,123

See accompanying notes to consolidated financial statements.

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

	December 31	
Liabilities and Stockholders' Equity	**2019**	**2018**
Liabilities		
Future policy benefits and unpaid claims	$ 825,600,918	$ 620,399,714
Unearned premium reserve	3,621,697	3,920,473
Bank and other loans payable	217,572,612	187,521,188
Deferred pre-need cemetery and mortuary contract revenues	12,607,978	12,508,625
Cemetery perpetual care obligation	3,933,719	3,821,979
Accounts payable	5,056,983	2,883,349
Other liabilities and accrued expenses	50,652,591	31,821,624
Income taxes	18,686,972	16,122,998
Total liabilities	1,137,733,470	878,999,950
Stockholders' Equity		
Preferred Stock:		
Preferred stock - non-voting-$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Common Stock:		
Class A: common stock - $2.00 par value; 20,000,000 shares authorized; issued 16,107,779 shares in 2019 and 15,304,798 shares in 2018	32,215,558	30,609,596
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; 3,000,000 shares authorized; issued 2,500,887 shares in 2019 and 2,193,643 shares in 2018	5,001,774	4,387,286
Additional paid-in capital	46,091,112	41,821,778
Accumulated other comprehensive income, net of taxes	13,726,514	(2,823)
Retained earnings	101,256,229	95,201,732
Treasury stock, at cost - 490,823 Class A shares and -0- Class C shares in 2019; 302,541 Class A shares and -0- Class C shares in 2018	(1,580,582)	(206,396)
Total stockholders' equity	196,710,605	171,811,173
Total Liabilities and Stockholders' Equity	$ 1,334,444,075	$ 1,050,811,123

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31	
	2019	2018
Revenues:		
Insurance premiums and other considerations	$ 81,860,610	$ 75,928,910
Net investment income	43,019,473	39,913,267
Net mortuary and cemetery sales	15,296,235	13,726,518
Gains on investments and other assets	728,367	23,941,179
Mortgage fee income	131,976,082	116,185,853
Other	10,180,163	9,923,000
Total revenues	283,060,930	279,618,727
Benefits and expenses:		
Death benefits	41,591,057	36,298,789
Surrenders and other policy benefits	3,320,748	2,886,298
Increase in future policy benefits	23,568,497	24,332,088
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	14,634,577	11,631,346
Selling, general and administrative expenses:		
Commissions	56,762,891	50,291,352
Personnel	64,221,270	67,368,952
Advertising	4,784,558	4,602,591
Rent and rent related	7,055,456	7,605,375
Depreciation on property and equipment	1,711,369	1,867,001
Costs related to funding mortgage loans	6,278,954	6,423,944
Other	34,922,761	31,014,999
Interest expense	7,386,688	6,956,707
Cost of goods and services sold – cemeteries and mortuaries	2,878,169	2,158,895
Total benefits and expenses	269,116,995	253,438,337
Earnings before income taxes	13,943,935	26,180,390
Income tax expense	(3,050,416)	(4,494,311)
Net earnings	$ 10,893,519	$ 21,686,079
Net earnings per Class A equivalent common share (1)	$0.60	$1.21
Net earnings per Class A equivalent common share - assuming dilution (1)	$0.60	$1.19
Weighted average Class A equivalent common shares outstanding (1)	18,104,681	17,968,062
Weighted average Class A equivalent common shares outstanding-assuming dilution (1)	18,229,116	18,188,665

(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. Net earnings per common share represent net earnings per equivalent Class A common share.

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	**2018**
Net earnings	$ 10,893,519	$ 21,686,079
Other comprehensive income:		
Unrealized gains on fixed maturity securities available for sale	17,315,770	-
Unrealized gains on restricted assets	35,550	-
Unrealized gains on cemetery perpetual care trust investments	29,904	
Foreign currency translation adjustments	972	(3,761)
Other comprehensive income, before income tax	17,382,196	(3,761)
Income tax benefit (expense)	(3,652,859)	938
Other comprehensive income (loss), net of income tax	13,729,337	(2,823)
Comprehensive income	$ 24,622,856	$ 21,683,256

See accompanying notes to consolidated financial statements.

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

	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2017	29,071,154	4,178,748	38,125,042	603,170	77,520,951	(931,075)	148,567,990
Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-01)				(603,170)	603,170		-
Net earnings	-	-	-	-	21,686,079	-	21,686,079
Other comprehensive loss	-	-	-	(2,823)	-	-	(2,823)
Stock based compensation expense	-	-	237,123	-	-	-	237,123
Exercise of stock options	76,946	-	(19,534)	-	-	-	57,412
Sale of treasury stock	-	-	540,713	-	-	940,200	1,480,913
Purchase of treasury stock	-	-	-	-	-	(215,521)	(215,521)
Stock dividends	1,461,120	208,914	2,938,434	-	(4,608,468)	-	-
Conversion Class C to Class A	376	(376)	-	-	-	-	-
Balance at December 31, 2018	30,609,596	4,387,286	41,821,778	(2,823)	95,201,732	(206,396)	171,811,173
Net earnings	-	-	-	-	10,893,519	-	10,893,519
Other comprehensive income	-	-	-	13,729,337	-	-	13,729,337
Stock based compensation expense	-	-	256,996	-	-	-	256,996
Exercise of stock options	65,034	382,886	415,990	-	-	-	863,910
Sale of treasury stock	-	-	529,858	-	-	165,702	695,560
Purchase of treasury stock	-	-	-	-	-	(1,539,888)	(1,539,888)
Stock dividends	1,534,356	238,174	3,066,490	-	(4,839,022)	-	(2)
Conversion Class C to Class A	6,572	(6,572)	-	-	-	-	-
Balance at December 31, 2019	$ 32,215,558	$ 5,001,774	$ 46,091,112	$ 13,726,514	$ 101,256,229	$ (1,580,582)	$ 196,710,605

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	**2018**
Cash flows from operating activities:		
Net earnings	$ 10,893,519	$ 21,686,079
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Gains on investments and other assets	(728,367)	(23,941,179)
Depreciation	5,183,658	5,456,185
Provision for loan losses and doubtful accounts	1,202,688	377,683
Net amortization of deferred fees and costs, premiums and discounts	(887,605)	(1,110,363)
Provision for deferred income taxes	(1,857,897)	(2,605,401)
Policy and pre-need acquisition costs deferred	(19,176,531)	(19,544,569)
Policy and pre-need acquisition costs amortized	13,787,037	10,807,777
Value of business acquired amortized	847,540	823,569
Mortgage servicing rights, additions	(4,194,502)	(3,922,816)
Amortization of mortgage servicing rights	7,055,795	5,282,931
Stock based compensation expense	256,996	237,123
Benefit plans funded with treasury stock	695,560	1,480,913
Net change in fair value of loans held for sale	(2,498,097)	(3,736,209)
Originations of loans held for sale	(2,606,839,175)	(2,194,607,543)
Proceeds from sales of loans held for sale	2,580,875,055	2,259,145,473
Net gains on sales of loans held for sale	(80,666,413)	(74,426,183)
Change in assets and liabilities:		
Land and improvements held for sale	358,477	64,506
Future policy benefits and unpaid claims	18,394,928	21,710,347
Other operating assets and liabilities	1,695,259	3,830,947
Net cash provided by (used in) operating activities	(75,602,075)	7,009,270
Cash flows from investing activities:		
Purchases of fixed maturity securities	(110,601,438)	(37,488,774)
Calls and maturities of fixed maturity securities	26,624,182	32,993,161
Purchase of equity securities	(3,264,028)	(3,354,274)
Sales of equity securities	2,639,729	2,886,492
Net changes in restricted assets	(1,254,991)	(241,665)
Net changes in cemetery perpetual care trust investments	299,897	1,207,622
Mortgage loans held for investment, other investments and policy loans made	(572,171,590)	(505,060,464)
Payments received for mortgage loans held for investment, other investments and policy loans	556,352,676	535,354,544
Purchases of property and equipment	(1,839,293)	(1,282,704)
Sales of property and equipment	54,496	2,016,156
Purchases of real estate held for investment	(8,572,556)	(29,193,332)
Sales of real estate held for investment	11,614,927	68,875,269
Cash received for reinsurance assumed	158,358,594	-
Cash paid for purchase of subsidiaries, net of cash acquired	(20,141,074)	(3,405,783)
Net cash provided by investing activities	38,099,531	63,306,248

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

	Years Ended December 31	
	2019	2018
Cash flows from financing activities:		
Investment contract receipts	$ 12,141,627	$ 11,571,551
Investment contract withdrawals	(16,911,841)	(15,356,571)
Proceeds from stock options exercised	863,910	57,412
Purchase of treasury stock	(1,539,888)	(215,521)
Repayment of bank loans	(236,790,722)	(133,123,024)
Proceeds from bank borrowings	196,610,127	162,653,177
Net change in warehouse line borrowings for loans held for sale	69,928,331	(717,792)
Net change in line of credit borrowings	-	1,250,000
Net cash provided by financing activities	24,301,544	26,119,232
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	(13,201,000)	96,434,750
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	150,936,673	54,501,923
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year	$ 137,735,673	$ 150,936,673
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest (net of amount capitalized)	$ 7,284,078	$ 6,878,048
Income taxes	4,861,318	5,701,565
Non Cash Investing and Financing Activities:		
Transfer of loans held for sale to mortgage loans held for investment	$ 31,881,851	$ 10,827,797
Right-of-use assets obtained in exchange for operating lease liabilities	16,544,406	-
Transfer of real estate held for investment to property and equipment	3,261,259	-
Mortgage loans held for investment foreclosed into real estate held for investment	1,704,015	670,601
Accrued real estate construction costs and retainage	590,256	214,200
Right-of-use assets obtained in exchange for finance lease liabilities	252,763	-
Mortgage loans held for investment foreclosed into receivables	155,347	-

See Note 20 regarding non cash transactions included in the acquisitions of Beta Capital Corporation, Probst Family Funerals and Cremations and Heber Valley Funeral Home and Kilpatrick Life Insurance Company

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

	Years Ended December 31	
	2019	2018
Cash and cash equivalents	$ 127,754,719	$ 142,199,942
Restricted assets	8,674,214	7,179,225
Cemetery perpetual care trust investments	1,306,740	1,557,506
Total cash, cash equivalents, restricted cash and restricted cash equivalents	$ 137,735,673	$ 150,936,673

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 mortgages. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance marketed primarily in the Intermountain West, California and eleven southern states. The cemetery and mortuary segment of the Company consists of eight mortuaries and five cemeteries in Utah and one cemetery in California. The mortgage segment is an approved government and conventional lender that originates and underwrites residential and commercial loans for new construction, existing homes and real estate projects primarily in Florida, Nevada, Texas, and Utah.

Basis of Presentation

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

Principles of Consolidation

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

Use of Estimates

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

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

Investments

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

Fixed maturity securities available for sale are carried at estimated fair value. Changes in fair values are reported as unrealized gains or losses and are recorded in accumulated other comprehensive income. On December 31, 2019, the Company changed the classification of its bond and preferred stock investments to available for sale from held to maturity. As a result, securities available for sale are carried at estimated fair value instead of amortized cost.

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.

Equity securities are carried at estimated fair value. Changes in fair values are reported as unrealized gains or losses and are recorded through net earnings.

1) Significant Accounting Policies (Continued)

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

Mortgage loans are secured by the underlying property and require an appraisal at the time of underwriting and funding. Generally, the Company will fund a loan not to exceed 80% of the loan's collateral fair market value. Amounts over 80% will require additional collateral or mortgage insurance by an approved third-party insurer.

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

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

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

Gains and losses on investments (except for equity securities carried at fair value through net earnings) arise when investments are sold (as determined on a specific identification basis) or are other than temporarily impaired. If in management's judgment a decline in the value of an investment below cost is other than temporary, the cost of the investment is written down to fair value 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

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

Loans Held for Sale

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

Mortgage Fee Income

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

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

1) Significant Accounting Policies (Continued)

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

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

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

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

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

Determining Lower of Cost or Fair Value

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

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

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

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

Loan Loss Reserve

The loan loss reserve is an estimate of probable losses at the balance sheet date that the Company will realize in the future on loans sold. The Company may be required to reimburse third-party investors for costs associated with early payoff of loans within 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.

1) Significant Accounting Policies (Continued)

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

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

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

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

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

Restricted Assets

Restricted assets are assets held in a trust account for future mortuary services and merchandise and consist of cash and cash equivalents; participations in mortgage loans held for investment with Security National Life Insurance Company ("Security National Life"); mutual funds carried at estimated fair value; equity securities carried at estimated fair value; and a surplus note with Security National Life (which is eliminated in consolidation). Restricted assets also represents escrows held for borrowers and investors under servicing and appraisal agreements relating to mortgage loans, funds held by warehouse banks in accordance with loan purchase agreements and funds held in escrow for certain real estate construction development projects. Additionally, the Company elected to fund its medical benefit safe-harbor limit based on the qualified direct costs, and has included this amount as a component of restricted cash.

Cemetery Perpetual Care Trust Investments

Cemetery endowment care trusts have been set up for four of the six cemeteries owned by the Company. 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.

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.

1) Significant Accounting Policies (Continued)

Deferred Policy Acquisition Costs and Value of Business Acquired

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

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

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

The total residential mortgage loans serviced for others consist primarily of agency conforming fixed-rate mortgage loans. The value of MSRs is derived from the net cash flows associated with the servicing contracts. The Company receives a servicing fee of generally about 0.250% 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. The Company generally receives other remuneration including rights to various mortgagor-contracted fees such as late charges, and collateral reconveyance charges and the Company is generally entitled to retain the interest earned on funds held pending remittance of mortgagor principal, interest, tax and insurance payments. Contractual servicing fees and late fees are included in other revenues on the consolidated statements of earnings.

The Company's subsequent accounting for MSRs is based on the class of MSRs. The Company has identified two classes of MSRs: MSRs backed by mortgage loans with initial term of 30 years and MSRs backed by mortgage loans with initial term of 15 years. The Company distinguishes between these classes of MSRs due to their differing sensitivities to change in value as the result of changes in market. After being initially recorded at fair value, MSRs backed by mortgage loans are accounted for using the amortization method. Amortization expense is included in other expenses on the consolidated statements of earnings. MSR amortization is determined by amortizing the MSR balance in proportion to, and over the period of the estimated future net servicing income of the underlying financial assets.

Interest rate risk, prepayment risk, and default risk are inherent risks in MSR valuation. Interest rate changes largely drive prepayment rates. Refinance activity generally increases as rates decline. A significant decrease in rates beyond expectation could cause a decline in the value of the MSR. On the contrary, if rates increase borrowers are

1) Significant Accounting Policies (Continued)

less likely to refinance or prepay their mortgage, which extends the duration of the loan and MSR values are likely to rise. Because of these risks, discount rates and prepayment speeds are used to estimate the fair value.

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

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

Property and Equipment

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

Long-lived Assets

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

Derivative Instruments

Mortgage Banking Derivatives

Loan Commitments

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

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

The Company estimates the fair value of a loan commitment based on the change in estimated fair value of the underlying mortgage loan, quoted mortgage-backed securities ("MBS") prices, estimates of the fair value of mortgage servicing rights, and an estimate of the probability that the mortgage loan will fund within the terms of the commitment. The change in fair value of the underlying mortgage loan is measured from the date the loan commitment is issued and is shown net of expenses. Following issuance, the value of a loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans.

1) Significant Accounting Policies (Continued)

Forward Sale Commitments

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

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

Call and Put Option Derivatives

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

Allowance for Doubtful Accounts and Loan Losses and Impaired Loans

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

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

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

1) Significant Accounting Policies (Continued)

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

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

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

Residential construction (including land acquisition and development) – Underwritten in accordance with the Company's underwriting policies which include a financial analysis of the builders, borrowers (guarantors), construction cost estimates, and independent appraisal valuations. These loans will rely on the value associated with the project upon completion. These cost and valuation estimates may be inaccurate. Construction loans generally involve the disbursement of substantial funds over a short period of time with repayment substantially dependent upon the success of the completed project and the ability of the borrower to secure long-term financing. Additionally, land is underwritten according to the Company's policies, which include independent appraisal valuations as well as the estimated value associated with the land upon completion of development into finished lots. These cost and valuation estimates may be inaccurate. These loans are considered to be of a higher risk than other mortgage loans due to their ultimate repayment being sensitive to general economic conditions, availability of long-term or construction financing, and interest rate sensitivity.

Future Policy Benefits and Unpaid Claims

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

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

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

Participating Insurance

Participating business constituted 2% of insurance in force for the years ended 2019 and 2018. 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.

1) Significant Accounting Policies (Continued)

Recognition of Insurance Premiums and Other Considerations

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

Reinsurance

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

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

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

Pre-need Sales and Costs

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

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

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

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

Prearranged funeral and pre-need cemetery customer acquisition costs - costs incurred related to obtaining new pre-need contract cemetery and prearranged funeral services 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

1) Significant Accounting Policies (Continued)

contract prices and current prices. Risks may arise if the difference cannot be fully met by the life insurance policy. However, management believes that given current inflation rates and related price increases of goods and services, the risk of exposure is minimal.

Goodwill

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

Other Intangibles (trade name and customer lists)

Other intangibles are recognized apart from goodwill whenever an acquired intangible asset arises from contractual or other legal rights, or whenever it is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset, or liability. The Company engaged a valuation firm to analyze the value of the Kilpatrick Life name in conjunction with its acquisition. The value of the trade name is included in Other Assets and was determined using the income approach, relying on a relief from the royalty method.

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 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.

Stock Based Compensation

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

Concentration of Credit Risk

For a description of the geographic concentration risk regarding mortgage loans held for investment and real estate held for investment, refer to Note 2 of the Notes to Consolidated Financial Statements.

1) Significant Accounting Policies (Continued)

Advertising

The Company expenses advertising costs as incurred.

Recent Accounting Pronouncements

Accounting Standards Adopted in 2019

ASU No. 2016-02: "Leases (Topic 842)" - Issued in February 2016, ASU 2016-02 supersedes the requirements in Accounting Standards Codification ("ASC") Topic 840, "Leases", and was issued to increase transparency and comparability among organizations. The new standard sets forth the principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record on the balance sheet right-of-use assets and lease liabilities, equal to the present value of the remaining lease payments. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or a straight-line basis over the term of the leases. The FASB further clarified ASU 2016-02 and provided targeted improvements by issuing ASU 2018-01, ASU 2018-10, ASU 2018-11 and ASU 2018-20.

The Company adopted this standard on January 1, 2019 using the modified retrospective transition method with no cumulative-effect adjustment to the opening balance of retained earnings. Under this transition method, the application date was the beginning of the reporting period, January 1, 2019, in which the Company first applied the standard. Under this transition option, the Company will apply the legacy guidance in ASC 840, "Leases", including its disclosure requirements, in the comparative periods presented in the year of adoption. The Company has made an accounting policy election not to apply the recognition requirements to short-term leases, which are leases that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying assets that the lessee is reasonably certain to exercise. The new authoritative guidance allows for certain practical expedients to be utilized to assist with the implementation of the new standard. The Company has elected the transition package of practical expedients which allows the Company to not reassess whether any expired or existing contracts are or contain leases, to not reassess the lease classification for any expired or existing leases and to not reassess initial direct costs for any existing leases.

The Company implemented a third-party lease accounting system to assist with the measurement of the lease liabilities and the related right-of-use assets. The Company compiled an inventory of its leases, determined the appropriate discount rates and has determined the impact of this standard which is not material to the Company's results of operations, but has an effect on the balance sheet presentation for leased assets and obligations. The Company recognized a right-of-use asset and related lease liability for approximately $12,076,000 on January 1, 2019. This standard did not impact the Company's accounting for leases where the Company is the lessor.

Accounting Standards Issued But Not Yet Adopted

ASU No. 2016-13: "Financial Instruments – Credit Losses (Topic 326)" – Issued in September 2016, ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis (such as mortgage loans and held to maturity debt securities) and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP; however, Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. In October 2019, the FASB proposed an update to ASU No. 2016-13 that would make the ASU effective for the Company on January 1, 2023. The Company is in the process of evaluating the potential impact of this standard, especially as it relates to mortgage loans held for investment.

1) Significant Accounting Policies (Continued)

ASU No. 2018-13: "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement" – Issued in August 2018, ASU 2018-13 modifies the disclosure requirements of Topic 820 by removing, modifying or adding certain disclosures. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 does not change the fair value measurements already required or permitted by existing standards. This new authoritative guidance will be effective for the Company on January 1, 2020. The adoption of this standard will not materially impact the Company's financial statements.

ASU No. 2018-12: "Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts" – Issued in August 2018, ASU 2018-12 is intended to improve the timeliness of recognizing changes in the liability for future policy benefits on traditional long-duration contracts by requiring that assumptions be updated after contract inception and by modifying the rate used to discount future cash flows. The ASU will simplify and improve the accounting for certain market-based options or guarantees associated with deposit or account balance contracts, simplify amortization of deferred acquisition costs while improving and expanding required disclosures. In October 2019, the FASB proposed an update to ASU No. 2018-12 that would make the ASU effective for the Company on January 1, 2024. 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 as of December 31, 2019 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2019:				
Fixed maturity securities, available for sale, at estimated fair value:				
U.S. Treasury securities and obligations of U.S. Government agencies	$ 142,740,641	$ 632,185	$ (25,215)	$ 143,347,611
Obligations of states and political subdivisions	7,450,366	87,812	(9,026)	7,529,152
Corporate securities including public utilities	156,599,184	16,768,449	(463,413)	172,904,220
Mortgage-backed securities	31,475,280	597,395	(240,177)	31,832,498
Redeemable preferred stock	364,339	-	-	364,339
Total fixed maturity securities available for sale	$ 338,629,810	$ 18,085,841	$ (737,831)	$ 355,977,820
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	$ 6,900,537	$ 1,139,799	$ (769,171)	$ 7,271,165
Total equity securities at estimated fair value	$ 6,900,537	$ 1,139,799	$ (769,171)	$ 7,271,165
Mortgage loans held for investment at amortized cost:				
Residential	$ 113,043,965			
Residential construction	89,430,237			
Commercial	38,718,220			
Less: Unamortized deferred loan fees, net	(2,391,567)			
Less: Allowance for loan losses	(1,453,037)			
Less: Net discounts	(653,272)			
Total mortgage loans held for investment	$ 236,694,546			
Real estate held for investment - net of accumulated depreciation:				
Residential	$ 12,530,306			
Commercial	90,226,640			
Total real estate held for investment	$ 102,756,946			
Real estate held for sale:				
Residential	$ 8,021,306			
Commercial	6,076,321			
Total real estate held for sale	$ 14,097,627			
Other investments and policy loans at amortized cost:				
Policy loans	$ 14,762,805			
Insurance assignments	41,062,965			
Federal Home Loan Bank stock (1)	894,300			
Other investments	4,973,225			
Less: Allowance for doubtful accounts	(1,448,026)			
Total policy loans and other investments	$ 60,245,269			
Accrued investment income	$ 4,833,232			
Total investments	$ 781,876,605			

(1) Includes $894,300 of Membership stock and $-0- of Activity stock due to short-term borrowings.

2) Investments (Continued)

The Company's investments as of December 31, 2018 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2018:				
Fixed maturity securities held to maturity at amortized cost:				
U.S. Treasury securities and obligations of U.S. Government agencies	$ 52,017,683	$ 264,891	$ (727,798)	$ 51,554,776
Obligations of states and political subdivisions	6,959,237	32,274	(111,271)	6,880,240
Corporate securities including public utilities	157,639,860	7,002,864	(3,704,137)	160,938,587
Mortgage-backed securities	15,358,746	227,398	(308,864)	15,277,280
Redeemable preferred stock	103,197	1,903	(5,125)	99,975
Total fixed maturity securities held to maturity	$ 232,078,723	$ 7,529,330	$ (4,857,195)	$ 234,750,858
Equity securities at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	$ 6,312,158	$ 422,528	$ (1,176,075)	$ 5,558,611
Total equity securities at estimated fair value	$ 6,312,158	$ 422,528	$ (1,176,075)	$ 5,558,611
Mortgage loans held for investment at amortized cost:				
Residential	$ 89,935,600			
Residential construction	71,366,544			
Commercial	27,785,927			
Less: Unamortized deferred loan fees, net	(1,275,030)			
Less: Allowance for loan losses	(1,347,972)			
Total mortgage loans held for investment	$ 186,465,069			
Real estate held for investment - net of accumulated depreciation:				
Residential	$ 29,507,431			
Commercial	92,050,791			
Total real estate held for investment	$ 121,558,222			
Other investments and policy loans at amortized cost:				
Policy loans	$ 6,424,325			
Insurance assignments	35,239,396			
Federal Home Loan Bank stock (1)	2,548,700			
Other investments	3,497,762			
Less: Allowance for doubtful accounts	(1,092,528)			
Total policy loans and other investments	$ 46,617,655			
Accrued investment income	$ 3,566,146			
Total investments	$ 595,844,426			

(1) Includes $708,700 of Membership stock and $1,840,000 of Activity stock due to short-term borrowings.

2) Investments (Continued)

Fixed Maturity Securities

On December 31, 2019, the Company changed the classification of its bond and preferred stock investments from held to maturity to available for sale based on the Company's need to be able to respond proactively to market risks in managing its portfolio. Such investments are carried at fair value with any unrealized gains and losses reported as a component of other accumulated comprehensive income or loss. At the date of the transfer, the carrying value of the Company's held to maturity securities was $338,629,810, and net unrealized gains of $17,315,770 were recognized in accumulated other comprehensive income.

The following tables summarize unrealized losses on fixed maturities securities that were carried at estimated fair value at December 31, 2019 and carried at amortized cost at December 31, 2018. The unrealized losses were primarily related to interest rate fluctuations. The tables set forth unrealized losses by duration with the fair value of the related fixed maturity securities:

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value
At December 31, 2019						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 20,211	$ 30,629,288	$ 5,004	$ 10,000,400	$ 25,215	$ 40,629,688
Obligations of States and Political Subdivisions	9,026	3,062,889	-	-	9,026	3,062,889
Corporate Securities	118,746	7,184,311	344,667	3,950,509	463,413	11,134,820
Mortgage and other asset-backed securities	205,470	13,266,443	34,707	502,769	240,177	13,769,212
Total unrealized losses	$ 353,453	$ 54,142,931	$ 384,378	$ 14,453,678	$ 737,831	$ 68,596,609
At December 31, 2018						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$ 10,519	$ 695,863	$ 717,279	$ 39,930,052	$ 727,798	$ 40,625,915
Obligations of States and Political Subdivisions	6,643	1,791,257	104,628	2,889,517	111,271	4,680,774
Corporate Securities	2,514,549	61,090,431	1,189,588	11,767,349	3,704,137	72,857,780
Mortgage and other asset-backed securities	79,896	1,705,296	228,968	2,690,065	308,864	4,395,361
Redeemable preferred stock	5,125	90,000	-	-	5,125	90,000
Total unrealized losses	$ 2,616,732	$ 65,372,847	$ 2,240,463	$ 57,276,983	$ 4,857,195	$ 122,649,830

There were 93 securities with fair value of 98.9% of amortized cost at December 31, 2019. There were 361 securities with fair value of 96.2% of amortized cost at December 31, 2018. No credit losses have been recognized for the years ended December 31, 2019 and 2018.

On a quarterly basis, the Company evaluates its fixed maturity securities classified as available for sale or held to maturity. This evaluation includes a review of current ratings by the National Association of Insurance Commissions ("NAIC"). Securities with a rating of 1 or 2 are considered investment grade and are not reviewed for impairment. Securities with ratings of 3 to 5 are evaluated for impairment. Securities with a rating of 6 are automatically determined to be impaired and are written down. The evaluation involves an analysis of the securities in relation to historical values, interest payment history, projected earnings and revenue growth rates as well as a review of the reason for a downgrade in the NAIC rating. Based on the analysis of a security that is rated 3 to 5, a determination is made whether the security will likely make interest and principal payments in accordance with the terms of the financial instrument. If it is unlikely that the security will meet contractual obligations, the loss is considered to be other than temporary, the security is written down to the new anticipated market value and an impairment loss is recognized. Impairment losses are treated as credit losses as the Company holds fixed maturity securities to maturity unless the underlying conditions have changed in the financial instrument to require an impairment.

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.

2) Investments (Continued)

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2019, 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
Due in 1 year	$ 104,805,927	$ 104,845,243
Due in 2-5 years	67,412,618	69,126,500
Due in 5-10 years	71,110,341	76,249,550
Due in more than 10 years	63,461,305	73,559,690
Mortgage-backed securities	31,475,280	31,832,498
Redeemable preferred stock	364,339	364,339
Total	$ 338,629,810	$ 355,977,820

The Company is a member of the Federal Home Loan Bank of Des Moines and Dallas ("FHLB"). The Company pledged a total of $60,000,000, par value, of United States Treasury fixed maturity securities with the FHLB at December 31, 2019. These securities are used as collateral on any cash borrowings from the FHLB. As of December 31, 2019, the Company did not have any outstanding amounts owed to the FHLB and its estimated maximum borrowing capacity was $57,727,738.

Investment Related Earnings

The Company's net realized gains and losses from sales, calls, and maturities, and other than temporary impairments from investments and other assets for the years ended December 31 are summarized as follows:

	2019	2018
Fixed maturity securities held to maturity:		
Gross realized gains	$ 459,286	$ 522,937
Gross realized losses	(162,649)	(669,303)
Equity securities:		
Gains (losses) on securities sold	256,520	(173,413)
Unrealized gains (losses) on securities held at the end of the period	1,086,116	(1,053,756)
Other assets:		
Gross realized gains	2,844,673	26,553,814 (1)
Gross realized losses	(3,755,579)	(1,239,100)
Total	$ 728,367	$ 23,941,179

(1) Includes a one-time gain of $22,252,000 from the sale of Dry Creek at East Village Apartments.

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

The carrying amount of held to maturity securities sold was $4,950,041 and $5,808,244, for the years ended December 31, 2019 and 2018, respectively. The net realized gain related to these sales was $43,039, for the year ended December 31, 2019, and the net realized loss related to these sales was $268,823, for the year ended December 31, 2018.

2) Investments (Continued)

Major categories of net investment income for the years ended December 31, were as follows:

	2019	2018
Fixed maturity securities	$ 10,372,559	$ 10,041,349
Equity securities	309,918	233,555
Mortgage loans held for investment	18,405,010	18,716,226
Real estate held for investment and sale	8,782,959	8,375,257
Policy loans	554,969	409,589
Insurance assignments	16,086,059	14,771,336
Other investments	184,439	227,930
Cash and cash equivalents	1,824,443	1,264,611
Gross investment income	56,520,356	54,039,853
Investment expenses	(13,500,883)	(14,126,586)
Net investment income	$ 43,019,473	$ 39,913,267

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of $448,754 and $386,659 for the years ended December 31, 2019 and 2018, respectively.

Net investment income on real estate consists primarily of rental revenue.

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

Securities on deposit for regulatory authorities as required by law amounted to $9,633,818 and $9,220,520 at December 31, 2019 and 2018, respectively. The restricted securities are included in various assets under investments on the accompanying consolidated balance sheets.

There were no investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses on equity securities) at December 31, 2019, other than investments issued or guaranteed by the United States Government.

Real Estate Held for Investment and Held for Sale

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 segments in the form of acquisition, development and mortgage foreclosures. The Company reports real estate held for investment and held for sale pursuant to the accounting policy discussed in Note 1 of the Notes to Consolidated Financial Statements.

Commercial Real Estate Held for Investment and Held for Sale

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

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

The Company currently owns and operates 16 commercial properties in 5 states. These properties include industrial warehouses, office buildings, retail centers, and includes the redevelopment and expansion of its corporate campus

2) Investments (Continued)

("Center53") in Salt Lake City, Utah. The Company also holds undeveloped land that may be used for future commercial developments. The Company does use debt in strategic cases to leverage established yields or to acquire a higher quality or different class of asset. See Note 20 regarding commercial real estate held for investment in Louisiana acquired with the acquisition of Kilpatrick Life Insurance Company.

The aggregated net ending balance of commercial real estate that serves as collateral for bank borrowings was approximately $87,815,000 and $84,880,000 as of December 31, 2019 and 2018, respectively. The associated bank loan carrying values totaled approximately $54,917,000 and $52,237,000 as of December 31, 2019 and 2018, respectively.

During the years ended December 31, 2019 and 2018, the Company recorded impairment losses on commercial real estate held for investment of $2,768,979 and $-0-, respectively. The impairment loss of $2,768,979 recognized relates to an office building in Kansas held by the life insurance segment for which the Company received an unsolicited bid from a potential buyer that was significantly below the building's carrying value. Although management did not consider the offer as representative of fair value, the Company evaluated the unsolicited bid as a potential impairment indicator. The Company performed an impairment analysis internally and obtained an independent appraisal from an outside commercial real estate valuation firm, concluding that the fair value of the building was less than its carrying value. This office building was recently listed for sale and is included in commercial real estate held for sale. This impairment loss is included in gains (losses) on investments and other assets on the consolidated statements of earnings.

The Company's commercial real estate held for investment for the years ended December 31, is summarized as follows:

	Net Ending Balance		Total Square Footage	
	2019	2018	2019	2018
Arizona	$ -	$ 4,000 (1)	-	-
Kansas	-	6,861,898	-	222,679
Louisiana	6,009,079	467,694	125,114	7,063
Mississippi	2,951,478	3,329,948	21,521	33,821
New Mexico	-	7,000 (1)	-	-
Texas	-	300,000 (2)	-	-
Utah	81,266,083 (3)	81,080,251	465,230	502,129
	$ 90,226,640	$ 92,050,791	611,865	765,692

(1) Undeveloped Land

(2) Improved commercial pad

(3) Includes Center53 phase 1 completed in July 2017

2) Investments (Continued)

The Company's commercial real estate held for sale for the years ended December 31, is summarized as follows:

	Net Ending Balance		Total Square Footage	
	2019	2018	2019	2018
Arizona	$ 2,500 (1)	$ -	-	-
Kansas	4,800,000	-	222,679	-
Mississippi	318,322	-	12,300	-
Nevada	655,499	-	4,800	-
Texas	300,000 (2)	-	-	-
	$ 6,076,321	$ -	239,779	-

(1) Undeveloped land
(2) Improved commercial pad

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

Residential Real Estate Held for Investment and Held for Sale

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. As an orderly and active market for these homes returns, the Company has the option to dispose or to continue and hold them for cash flow and acceptable returns. The Company also invests in residential subdivision developments.

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

As of December 31, 2019, SNRE manages 38 residential properties in 6 states across the United States.

During the years ended December 31, 2019 and 2018, the Company recorded impairment losses on residential real estate held for investment of $700,134 and $486,457, respectively. These impairment losses are included in gains (losses) on investments and other assets on the consolidated statements of earnings.

The net ending balance of foreclosed residential real estate included in residential real estate held for investment is approximately $12,434,000 and $23,532,000 as of December 31, 2019 and 2018, respectively.

2) Investments (Continued)

The Company's residential real estate held for investment for the years ended December 31, is summarized as follows:

	Net Ending Balance	
	2019	2018
California	$ -	$ 2,644,321
Florida	2,487,723	6,534,277
Nevada	293,516	-
Ohio	-	10,000
Oklahoma	-	-
Tennessee	-	105,260
Texas	-	139,174
Utah	9,462,886 (1)	19,598,218 (1)
Washington	286,181	476,181
	$ 12,530,306	$ 29,507,431

(1) Includes subdivision developments

The Company's residential real estate held for sale for the years ended December 31, is summarized as follows:

	Net Ending Balance	
	2019	2018
California	640,452	-
Florida	1,300,641	-
Ohio	10,000	-
Utah	5,880,213	-
Washington	190,000	-
	$ 8,021,306	$ -

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

2) Investments (Continued)

Real Estate Owned and Occupied by the Company

The primary business units of the Company occupy a portion of the commercial real estate owned by the Company. As of December 31, 2019, real estate owned and occupied by the Company is summarized as follows:

Location	Business Segment	Approximate Square Footage	Square Footage Occupied by the Company
121 W. Election Rd., Draper, UT	Corporate Offices, Life Insurance and Cemetery/Mortuary Operations	78,979	18%
5201 Green Street, Salt Lake City, UT (1)	Life Insurance and Mortgage Operations	39,157	73%
1044 River Oaks Dr., Flowood, MS	Life Insurance Operations	19,694	28%
1818 Marshall Street, Shreveport, LA (1)(2)	Life Insurance Operations	12,274	100%
909 Foisy Street, Alexandria, LA (1)(2)	Life Insurance Sales	8,059	100%
812 Sheppard Street, Minden, LA (1)(2)	Life Insurance Sales	1,560	100%
1550 N 3rd Street, Jena, LA (1)(2)	Life Insurance Sales	1,737	100%

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

(2) See Note 20 regarding the acquisition of Kilpatrick Life Insurance Company

Mortgage Loans Held for Investment

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

Mortgage loans consist of first and second mortgages. The mortgage loans bear interest at rates ranging from 2.0 % to 10.5%, maturity dates range from nine months to 30 years and are secured by real estate. Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential mortgages, commercial loans and residential construction loans and requires collateral on all real estate exposures, a substantial portion of its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. At December 31, 2019, the Company had 48%, 16%, 10%, 6%, 6% and 5% of its mortgage loans from borrowers located in the states of Utah, Florida, Texas, California, Nevada and Arizona, respectively.

2) Investments (Continued)

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 Held for Investment
Years Ended December 31

	Commercial	Residential	Residential Construction	Total
2019				
Allowance for credit losses:				
Beginning balance	$ 187,129	$ 1,125,623	$ 35,220	$ 1,347,972
Charge-offs	-	(32,692)	-	(32,692)
Provision	-	129,775	7,982	137,757
Ending balance	$ 187,129	$ 1,222,706	$ 43,202	$ 1,453,037
Ending balance: individually evaluated for impairment	$ -	$ 195,993	$ -	$ 195,993
Ending balance: collectively evaluated for impairment	$ 187,129	$ 1,026,713	$ 43,202	$ 1,257,044
Mortgage loans:				
Ending balance	$ 38,718,220	$ 113,043,965	$ 89,430,237	$ 241,192,422
Ending balance: individually evaluated for impairment	$ 4,488,719	$ 3,752,207	$ 655,000	$ 8,895,926
Ending balance: collectively evaluated for impairment	$ 34,229,501	$ 109,291,758	$ 88,775,237	$ 232,296,496
2018				
Allowance for credit losses:				
Beginning balance	$ 187,129	$ 1,546,447	$ 35,220	$ 1,768,796
Charge-offs	-	(5,725)	-	(5,725)
Provision	-	(415,099)	-	(415,099)
Ending balance	$ 187,129	$ 1,125,623	$ 35,220	$ 1,347,972
Ending balance: individually evaluated for impairment	$ -	$ 74,185	$ -	$ 74,185
Ending balance: collectively evaluated for impairment	$ 187,129	$ 1,051,438	$ 35,220	$ 1,273,787
Mortgage loans:				
Ending balance	$ 27,785,927	$ 89,935,600	$ 71,366,544	$ 189,088,071
Ending balance: individually evaluated for impairment	$ 196,182	$ 2,939,651	$ 502,991	$ 3,638,824
Ending balance: collectively evaluated for impairment	$ 27,589,745	$ 86,995,949	$ 70,863,553	$ 185,449,247

2) Investments (Continued)

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

Age Analysis of Past Due Mortgage Loans Held for Investment

Years Ended December 31

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days (1)	In Process of Foreclosure (1)	Total Past Due	Current	Total Mortgage Loans	Allowance for Loan Losses	Unamortized deferred loan fees, net	Unamortized discounts, net	Net Mortgage Loans
2019											
Commercial	$ 1,872,000	$ -	$ 4,488,719	$ -	$ 6,360,719	$ 32,357,501	$ 38,718,220	$ (187,129)	$ (88,918)	$ (653,272)	$ 37,788,901
Residential	10,609,296	4,085,767	2,100,742	1,651,465	18,447,270	94,596,695	113,043,965	(1,222,706)	(1,567,581)	-	110,253,678
Residential Construction	-	-	655,000	-	655,000	88,775,237	89,430,237	(43,202)	(735,068)	-	88,651,967
Total	$ 12,481,296	$ 4,085,767	$ 7,244,461	$ 1,651,465	$ 25,462,989	$ 215,729,433	$ 241,192,422	$ (1,453,037)	$ (2,391,567)	$ (653,272)	$ 236,694,546
2018											
Commercial	$ 4,588,424	$ -	$ 196,182	$ -	$ 4,784,606	$ 23,001,321	$ 27,785,927	$ (187,129)	$ 32,003	$ -	$ 27,630,801
Residential	9,899,380	2,312,252	1,715,362	1,224,289	15,151,283	74,784,317	89,935,600	(1,125,623)	(862,411)	-	87,947,566
Residential Construction	-	-	-	502,991	502,991	70,863,553	71,366,544	(35,220)	(444,622)	-	70,886,702
Total	$ 14,487,804	$ 2,312,252	$ 1,911,544	$ 1,727,280	$ 20,438,880	$ 168,649,191	$ 189,088,071	$ (1,347,972)	$ (1,275,030)	$ -	$ 186,465,069

(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 Held for Investment

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

Impaired Loans
Years Ended December 31

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2019					
With no related allowance recorded:					
Commercial	$ 4,488,719	$ 4,488,719	$ -	$ 1,499,043	$ -
Residential	2,254,189	2,254,189	-	3,367,151	-
Residential construction	655,000	655,000	-	1,457,278	-
With an allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential	1,498,018	1,498,018	195,993	665,270	-
Residential construction	-	-	-	-	-
Total:					
Commercial	$ 4,488,719	$ 4,488,719	$ -	$ 1,499,043	$ -
Residential	3,752,207	3,752,207	195,993	4,032,421	-
Residential construction	655,000	655,000	-	1,457,278	-
2018					
With no related allowance recorded:					
Commercial	$ 196,182	$ 196,182	$ -	$ 98,023	$ -
Residential	1,612,164	1,612,164	-	2,423,135	-
Residential construction	502,991	502,991	-	675,950	-
With an allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential	1,327,487	1,327,487	74,185	1,543,416	-
Residential construction	-	-	-	-	-
Total:					
Commercial	$ 196,182	$ 196,182	$ -	$ 98,023	$ -
Residential	2,939,651	2,939,651	74,185	3,966,551	-
Residential construction	502,991	502,991	-	675,950	-

Credit Risk Profile Based on Performance Status

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

2) Investments (Continued)

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

Mortgage Loans Held for Investment Credit Exposure
Credit Risk Profile Based on Payment Activity
Years Ended December 31

	Commercial		Residential		Residential Construction		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Performing	$ 34,229,501	$ 27,589,745	$ 109,291,758	$ 86,995,949	$ 88,775,237	$ 70,863,553	$ 232,296,496	$ 185,449,247
Non-performing	4,488,719	196,182	3,752,207	2,939,651	655,000	502,991	8,895,926	3,638,824
Total	$ 38,718,220	$ 27,785,927	$ 113,043,965	$ 89,935,600	$ 89,430,237	$ 71,366,544	$ 241,192,422	$ 189,088,071

Non-Accrual Mortgage Loans Held for Investment

Once a loan is past due 90 days, it is the policy of the Company to end the accrual of interest income on the loan and write off any income that had been accrued. Payments received for loans on a non-accrual status are recognized on a cash basis. Interest income recognized from any payments received for loans on a non-accrual status was immaterial. Accrual of interest resumes if a loan is brought current. Interest not accrued on these loans totals approximately $203,000 and $151,000 as of December 31, 2019 and 2018, respectively.

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

Mortgage Loans on Non-accrual Status
Years Ended December 31

	2019	2018
Commercial	$ 4,488,719	$ 196,182
Residential	3,752,207	2,939,651
Residential construction	655,000	502,991
Total	$ 8,895,926	$ 3,638,824

Principal Amounts Due

The amortized cost and contractual payments on mortgage loans held for investment by category as of December 31, 2019 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 1 Year	Principal Amounts Due in 2-5 Years	Principal Amounts Due Thereafter
Residential	$ 113,043,965	$ 6,234,913	$ 27,161,628	$ 79,647,424
Residential Construction	89,430,237	$ 60,376,688	$ 29,053,549	-
Commercial	38,718,220	24,175,464	4,020,999	10,521,757
Total	$ 241,192,422	$ 90,787,065	$ 60,236,176	$ 90,169,181

3) Loans Held for Sale

The Company has elected the fair value option for loans held for sale as disclosed in Note 1. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on mortgage loans held for investment and is included in mortgage fee income on the consolidated statement of earnings. There are five loans with an aggregate unpaid principal balance of $1,130,028 that are 90 or more days past due and on a nonaccrual status as of December 31, 2019. See Note 17 of the Notes to Consolidated Financial Statements for additional disclosures regarding loans held for sale.

The following is a summary of the aggregate fair value and the aggregate unpaid principal balance of loans held for sale for the periods presented:

	As of December 31 2019	As of December 31 2018
Aggregate fair value	$ 213,457,632	$ 136,210,853
Unpaid principal balance	206,417,122	131,663,946
Unrealized gain	7,040,510	4,546,907

Mortgage Fee Income

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

Major categories of mortgage fee income for loans held for sale for the years ended December 31, were as follows:

	2019	2018
Loan fees	$ 28,660,966	$ 27,429,237
Interest income	6,978,930	6,156,796
Secondary gains	93,581,956	80,416,718
Change in fair value of loan commitments	899,417	(404,773)
Change in fair value of loans held for sale	2,498,097	3,736,209
Provision for loan loss reserve	(643,284)	(1,148,334)
Mortgage fee income	$ 131,976,082	$ 116,185,853

Loan Loss Reserve

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

3) Loans Held for Sale (Continued)

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

	December 31	
	2019	2018
Balance, beginning of period	$ 3,604,869	$ 2,571,524
Provision for current loan originations (1)	643,284	1,148,334
Charge-offs, net of recaptured amounts	(201,865)	(114,989)
Balance, at December 31	$ 4,046,288	$ 3,604,869

(1) Included in Mortgage fee income

The Company maintains reserves for estimated losses on current production volumes. The Company also retains loss reserves for loans that the Company originated between 2005 and 2007, in which the possibility of an investor claim or potential settlement may still exist. During 2019, reserves were added at a rate of 2.5 basis points per loan originated, the equivalent of $250 per $1,000,000 in loans originated. During 2018, reserves were added at an average rate of 5.0 basis points per loan originated.

Based on the Company's best estimate for potential loan losses and considering published industry data, loss reserve basis points are established to create an adequate reserve. The reserve is intended to cover both expected losses on recent period loan production and possible losses on earlier loans that were sold. The strong housing market over the last several years has reduced the Company's exposure to losses on more recent loan production, but exposure still remains on older loans.

During the period from 2006 to 2019, over $60 million has been reserved for loan losses. A large majority of that reserve has been used to settle investor claims or potential claims on alternative documentation loans originated between 2005 to 2007. As the time since the origination of these loans has increased, estimating the potential of a claim being made, when it might be made, the validity of the claim, and the amount of such claim becomes more difficult. However, because some loans remain from the original 2005 to 2007 time period that have not been settled, the Company still includes a reserve for the potential of future loan demands and potential settlements of such loans. As of December 31, 2019, the loan loss reserve includes an estimate of approximately $3,000,000 for remaining losses still to be settled on loans from this time period with a general reserve for more recent loan production. Thus, the Company believes that the final loan loss reserve as of December 31, 2019, represents its best estimate for adequate loss reserves on loans sold.

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

4) Receivables

Receivables consist of the following:

	December 31 2019	December 31 2018
Trade contracts	$ 2,795,471	$ 2,816,225
Receivables from sales agents	2,962,571	3,079,688
Other	5,202,444	4,559,272
Total receivables	10,960,486	10,455,185
Allowance for doubtful accounts	(1,724,156)	(1,519,842)
Net receivables	$ 9,236,330	$ 8,935,343

5) Value of Business Acquired, Intangible Assets and Goodwill

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

	December 31 2019		December 31 2018
Balance at beginning of year	$ 5,765,190		$ 6,588,759
Value of business acquired	4,962,831	(1)	-
Imputed interest at 7% included in earnings	472,916		421,122
Amortization included in earnings	(1,320,456)		(1,244,691)
Shadow amortization included in other comprehensive income	(3,834)		-
Net amortization	(851,374)		(823,569)
Balance at end of year	$ 9,876,647		$ 5,765,190

(1) See Note 20 regarding the acquisition of Kilpatrick Life Insurance Company

Presuming no additional acquisitions, net amortization charged to income is expected to approximate $1,194,000, $1,065,000, $985,000, $916,000, and $845,000 for the years 2020 through 2025. Actual amortization may vary based on changes in assumptions or experience. As of December 31, 2019, value of business acquired is being amortized over a weighted average life of 6.8 years.

The carrying value of the Company's intangible assets were as follows:

	Useful Life	December 31 2019		December 31 2018	
Intangible asset - customer lists	15 years	$ 890,000	(1)	$ 890,000	(1)
Intangible asset - trade name	15 years	$ 610,000	(2)	$ -	
Less accumulated amortization		(98,222)		(34,611)	
Balance at end of year		$ 1,401,778		$ 855,389	

(1) See Note 20 regarding the acquisition of Beta Capital Corp.
(2) See Note 20 regarding the acquisition of Kilpatrick Life Insurance Company

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

Information regarding goodwill by segment was as follows:

	Life Insurance	Cemetery/ Mortuary		Total
Balance at January 1, 2018:				
Goodwill	$2,765,570	$ -		$2,765,570
Accumulated impairment	-	-		-
Total goodwill, net	2,765,570	-		2,765,570
Balance at December 31, 2018:				
Goodwill	2,765,570	-		2,765,570
Accumulated impairment	-	-		-
Total goodwill, net	2,765,570	-		2,765,570
Acquisition	-	754,018	(1)	754,018
Balance at December 31, 2019:				
Goodwill	2,765,570	754,018		3,519,588
Accumulated impairment	-	-		-
Total goodwill, net	$2,765,570	$754,018		$3,519,588

(1) See Note 20 regarding the acquisition of Probst Family Funerals and Cremations and Heber Valley Funeral Home

Goodwill of $3,519,588 is not amortized but is tested annually for impairment. The annual impairment tests resulted in no impairment of goodwill for the years ended December 31, 2019 and 2018.

6) Property and Equipment

The cost of property and equipment is summarized below:

	December 31 2019	December 31 2018
Land and buildings	$ 15,131,301	$ 7,775,922
Furniture and equipment	18,987,984	16,731,457
	34,119,285	24,507,379
Less accumulated depreciation	(19,518,891)	(17,496,601)
Total	$ 14,600,394	$ 7,010,778

Depreciation expense for the years ended December 31, 2019 and 2018 was $1,711,369 and $1,867,001, respectively. During 2019, the Company transferred $3,261,259 from real estate held for investment to property and equipment. This transfer is shown as a non cash item on the consolidated statements of cash flows. See Note 20 for additional information regarding property and equipment acquired through acquisitions.

7) Bank and Other Loans Payable

Bank and other loans payable are summarized as follows:

	December 31 2019	December 31 2018
2.25% above the monthly LIBOR rate plus 1/16th of the monthly LIBOR rate note payable in monthly principal payments of $13,167 plus interest, collateralized by real property with a book value of approximately $4,244,000, due September 2021.	$ 2,659,769	$ 2,817,775
4.27% fixed note payable in monthly installments of $53,881 including principal and interest, collateralized by shares of Security National Life Insurance Company stock, due December 2021.	1,238,619	1,817,905
Prime rate note payable in monthly installments of $75,108 including principal and interest, collateralized by shares of Security National Life Insurance Company stock, due December 2024.	4,000,000	-
4.40% fixed note payable in monthly installments of $46,825 including principal and interest, collateralized by real property with a book value of approximately $12,923,000, due January 2026.	7,247,651	7,492,140
4.329% fixed note payable in monthly installments of $9,775 including principal and interest, collateralized by real property with a book value of approximately $3,261,000, due September 2025.	1,896,450	1,929,725
2.5% above the monthly LIBOR rate plus 1/16th of the monthly LIBOR rate construction loan payable in monthly principal payments of $113,000 plus interest, collateralized by real property with a book value of approximately $49,378,000, due August 2020.	33,811,559	30,796,861
4.7865% fixed interest only note payable in monthly installments, collateralized by real property with a book value of approximately $18,009,000, due June 2028.	9,200,000	9,200,000
1 month LIBOR rate plus 3% loan purchase agreement with a warehouse line availability of $100,000,000, matures June 2020.	88,509,536	60,438,156
1 month LIBOR rate plus 3% loan purchase agreement with a warehouse line availability of $100,000,000, matures September 2020.	67,537,600	25,680,649
Other short-term borrowings (1)	1,250,000	47,250,000
Finance lease liabilities	153,439	-
Other loans payable	67,989	97,977
Total bank and other loans	217,572,612	187,521,188
Less current installments	192,985,602	165,219,632
Bank and other loans, excluding current installments	$ 24,587,010	$ 22,301,556

(1) Federal Home Loan Bank and Revolving Lines of Credit

7) Bank and Other Loans Payable (Continued)

Sources of Liquidity

Federal Home Loan Bank Membership

The Federal Home Loan Banks ("the FHLBs") are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. The Company is a member of the FHLB based in Des Moines, Iowa and based in Dallas, Texas. As a member of the FHLB, the Company is required to maintain a minimum investment in capital stock of the FHLB and may pledge collateral to the bank for advances of funds to be used in its operations.

Federal Home Loan Bank of Des Moines

At December 31, 2019, the amount available for borrowings from the FHLB of Des Moines was approximately $57,727,738, compared with $534,579 at December 31, 2018. United States Treasury fixed maturity securities with an estimated fair value of $59,877,900 at December 31, 2019 have been pledged at the FHLB of Des Moines as collateral for current and potential borrowings compared with $49,342,210 at December 31, 2018. At December 31, 2019, the Company had no outstanding FHLB borrowings. At December 31, 2019, the Company's total investment in FHLB stock was $806,500 compared with $2,548,700 at December 31, 2018. The Company's decreased investment in FHLB stock was a result of its decrease in short-term FHLB borrowings during 2019.

Federal Home Loan Bank of Dallas

The membership of the FHLB of Dallas was acquired with the acquisition of Kilpatrick Life Insurance Company. See Note 20 regarding this acquisition. At December 31, 2019, the Company's total investment in FHLB stock was $87,800. The Company does not have any collateral pledged at the FHLB of Dallas or any outstanding borrowings.

Revolving Lines of Credit

The Company has a $2,000,000 revolving line-of-credit with a bank with interest payable at the prime rate minus .75%, secured by the capital stock of Security National Life and maturing September 30, 2020, renewable annually. At December 31, 2019, the Company was contingently liable under a standby letter of credit aggregating $625,405, 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. The standby letter of credit will draw on the line of credit if necessary. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid. As of December 31, 2019, there were no amounts outstanding under the revolving line-of-credit.

The Company also has a $2,500,000 revolving line-of-credit with a bank with interest payable at the overnight LIBOR rate plus 2.25% maturing September 30, 2020. As of December 31, 2019, there was $1,250,000 outstanding under the revolving line-of-credit.

Debt Covenants for Mortgage Warehouse Lines of Credit

The Company, through its subsidiary SecurityNational Mortgage, has a $100,000,000 line of credit with Wells Fargo Bank N.A. The agreement charges interest at the 1-Month LIBOR rate plus 2.1% and matures on June 16, 2020. SecurityNational Mortgage is required to comply with covenants for adjusted tangible net worth, unrestricted cash balance, the ratio of indebtedness to adjusted tangible net worth, and the liquidity overhead coverage ratio, and a quarterly gross profit of at least $1.

The Company, through its subsidiary SecurityNational Mortgage, also uses a line of credit with Texas Capital Bank N.A. This agreement with the bank allows SecurityNational Mortgage to borrow up to $100,000,000 for the sole purpose of funding mortgage loans. SecurityNational Mortgage is currently approved to borrow $30,000,000 of the $100,000,000 available. The agreement charges interest at the 1-Month LIBOR rate plus 3% and matures on September 9, 2020. The Company is required to comply with covenants for adjusted tangible net worth, unrestricted

7) Bank and Other Loans Payable (Continued)

cash balance, and minimum combined pre-tax income (excluding any changes in the fair value of mortgage servicing rights) of at least $1 on a rolling four-quarter basis.

The agreements for both warehouse lines include cross default provisions in that a covenant violation under one agreement constitutes a covenant violation under the other agreement. As of December 31, 2019, the Company had approximately $67,538,000 and $88,510,000 outstanding on the Texas Capital Bank and Wells Fargo warehouse lines, respectively, and was in compliance with all debt covenants.

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

2019	$ 192,985,602
2020	4,256,684
2021	1,151,703
2022	1,218,742
2023	1,247,461
Thereafter	16,712,420
Total	$ 217,572,612

Interest expense in 2019 and 2018 was $7,386,688 and $6,956,707, respectively. Interest paid in 2019 and 2018 was $7,284,078 and $6,878,048, respectively.

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

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

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

	December 31	
	2019	2018
Cash and cash equivalents	$ 1,306,740	$ 1,557,506
Fixed maturity securities, available for sale, at estimated fair value	975,673	990,390
Equity securities, at estimated fair value	1,605,451	483,353
Commerical mortgage loans held for investment	524,000	-
Real estate held for investment	-	1,304,620
Note receivables from Cottonwood Mortuary, Singing Hills Cemetery and Memorial Estates eliminated in consolidation	1,541,120	1,606,155
Total cemetery perpetual care trust investments	5,952,984	5,942,024
Cemetery perpetual care obligation	(3,933,719)	(3,821,979)
Trust investments in excess of trust obligations	$ 2,019,265	$ 2,120,045

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

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

Restricted cash also represents escrows held for borrowers and investors under servicing and appraisal agreements relating to mortgage loans, funds held by warehouse banks in accordance with loan purchase agreements and funds held in escrow for certain real estate construction development projects. Additionally, the Company elected to fund its medical benefit safe-harbor limit based on 35% of the qualified direct costs for the preceding year, and has included this amount as a component of restricted cash. These restricted cash items are for the Company's life insurance and mortgage segments.

Restricted assets are summarized as follows:

	December 31	
	2019	2018
Cash and cash equivalents (1)	$ 8,674,214	$ 7,179,225
Mutual funds, at estimated fair value	-	677,795
Fixed maturity securities, available for sale, at estimated fair value	1,008,867	1,258,397
Equity securities, at estimated fair value	1,976,480	66,878
Participating interests in mortgage loans held for investment with Security National Life	2,275,756	1,799,267
Total	$ 13,935,317	$ 10,981,562

(1) Including cash and cash equivalents of $7,170,092 and $5,668,580 as of December 31, 2019 and 2018, respectively, for the life insurance and mortgage segments.

A surplus note receivable in the amount of $4,000,000 at December 31, 2019 and 2018, from Security National Life, was eliminated in consolidation.

See Notes 1 and 17 for additional information regarding restricted assets.

9) Income Taxes

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

	December 31	
	2019	2018
Current	$ 1,410,153	$ 473,800
Deferred	17,276,819	15,649,198
Total	$ 18,686,972	$ 16,122,998

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

	December 31	
	2019	2018
Assets		
Future policy benefits	$ (12,450,229)	$ (8,293,592)
Loan loss reserve	(1,053,256)	(938,496)
Unearned premium	(760,556)	(823,299)
Available for sale securities	-	(366,279)
Net operating loss	(438,420)	(593,272)
Deferred compensation	(1,996,865)	(1,677,118)
Deposit obligations	(619,633)	(610,769)
Other	(1,020,718)	(185,557)
Less: Valuation allowance	2,439,394	-
Total deferred tax assets	(15,900,283)	(13,488,382)
Liabilities		
Deferred policy acquisition costs	15,536,717	15,255,960
Basis difference in property and equipment	3,638,512	4,309,162
Value of business acquired	2,074,096	1,210,690
Deferred gains	5,169,104	6,267,373
Trusts	1,064,387	1,064,387
Tax on unrealized appreciation	5,694,286	1,030,008
Total deferred tax liabilities	33,177,102	29,137,580
Net deferred tax liability	$ 17,276,819	$ 15,649,198

The valuation allowance relates to differences between recorded deferred tax assets and liabilities and ultimate anticipated realization. For the year ended December 31, 2019, the Company has recorded a valuation allowance related to Kilpatrick Life Insurance Company that was acquired in December 2019. See Note 20 regarding the acquisition.

The Company paid $4,861,318 and $5,701,565 in income taxes for the years ended December 31, 2019 and 2018, respectively.

9) Income Taxes (Continued)

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

	2019	2018
Current		
Federal	$ 4,404,041	$ 6,933,145
State	504,272	166,567
	4,908,313	7,099,712
Deferred		
Federal	(1,551,725)	(1,838,947)
State	(306,172)	(766,454)
	(1,857,897)	(2,605,401)
Total	$ 3,050,416	$ 4,494,311

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

	2019	2018
Computed expense at statutory rate	$ 2,928,226	$ 5,497,882
State tax expense, net of federal tax benefit	156,499	(473,911)
Change in valuation allowance	194,364	-
Other, net	(228,673)	(529,660)
Income tax expense	$ 3,050,416	$ 4,494,311

The Company's overall effective tax rate for the years ended December 31, 2019 and 2018 was 21.9% and 17.2%, respectively. The Company's effective tax rates differ from the U.S. federal statutory corporate income tax rate of 21% partially due to its provision for state income taxes and an increase to the valuation allowance related to Kilpatrick Life Insurance Company that increased the effective income tax rate when compared to the prior year.

At December 31, 2019, the Company had no significant unrecognized tax benefits. As of December 31, 2019, 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 2016 through 2019 are subject to examination by taxing authorities.

Net Operating Losses and Tax Credit Carryforwards:

Year of Expiration	
2020	$ 114,601
2021	17,101
2022	-
2023	-
2024	-
Thereafter up through 2037	1,701,126
	$ 1,832,828

10) Reinsurance, Commitments and Contingencies

Reinsurance

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from $25,000 to $100,000 during the years 2019 and 2018. 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 $99,000,000 and approximately $103,000,000 at December 31, 2019 and 2018, respectively.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate. However, the Company believes that its reserve methodology and its current practice of property preservation allow it to estimate potential losses on loans sold. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2019 and 2018, the balances were $4,046,000 and $3,605,000, respectively.

During the period from 2006 to 2019, over $60 million has been reserved for loan losses. A large majority of that reserve has been used to settle investor claims or potential claims on alternative documentation loans originated between 2005 to 2007. As the time since the origination of these loans has increased, estimating the potential of a claim being made, when it might be made, the validity of the claim, and the amount of such claim becomes more difficult. However, because some loans remain from the original 2005 to 2007 time period that have not been settled, the Company still includes a reserve for the potential of future loan demands and potential settlements of such loans. As of December 31, 2019, the loan loss reserve includes an estimate of approximately $3,000,000 for remaining losses still to be settled on loans from this time period with a general reserve for more recent loan production. Thus, the Company believes that the final loan loss reserve as of December 31, 2019, represents its best estimate for adequate loss reserves on loans sold.

Mortgage Loan Loss Litigation

Lehman Brothers Holdings Litigation – Delaware and New York

In January 2014, Lehman Brothers Holdings Inc. (“Lehman Holdings”) entered into a settlement with the Federal National Mortgage Association (Fannie Mae) concerning the mortgage loan claims that Fannie Mae had asserted against Lehman Holdings, which were based on alleged breaches of certain representations and warranties by Lehman Holdings in the mortgage loans it had sold to Fannie Mae. Lehman Holdings had acquired these loans from Aurora Bank, FSB, formerly known as Lehman Brothers Bank, FSB, which in turn purchased the loans from residential mortgage loan originators, including SecurityNational Mortgage Company (“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.

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 non-binding mediations of the alleged indemnification claims against the mortgage loan originators relative to the Fannie Mae and Freddie Mac settlements with Lehman Holdings. The mediation was not successful in resolving any issues between SecurityNational Mortgage and 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 are allegedly millions of dollars in dispute with Lehman Holdings pertaining to approximately 136 mortgage loans. SecurityNational Mortgage sought a 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. Lehman Holdings filed a motion in the Delaware court seeking to stay or dismiss the declaratory judgment action. On August 24, 2016, the Court ruled that it would exercise its discretion to decline jurisdiction over the action and granted Lehman Holdings’ motion to dismiss.

10) Reinsurance, Commitments and Contingencies (Continued)

On February 3, 2016, Lehman Holdings filed an adversary proceeding against approximately 150 mortgage loan originators, 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 that SecurityNational Mortgage sought in its Delaware lawsuit, and for damages relating to the alleged obligations of the defendants under indemnification provisions of the alleged agreements, in amounts to be determined at trial, including interest, attorneys' fees and costs incurred by Lehman Holdings in enforcing the obligations of the defendants. No response was required to be filed relative to the Complaint or the Amended Complaint dated March 7, 2016. A Case Management Order was entered on November 1, 2016.

On December 27, 2016, pursuant to the Case Management Order, Lehman Holdings filed a Second Amended Complaint against SecurityNational Mortgage, which eliminates the declaratory judgment claim but retains a similar claim for damages as in the Complaint. Many of the defendants, including SecurityNational Mortgage, filed a joint motion in the case asserting that the Bankruptcy Court does not have subject matter jurisdiction concerning the matter and that venue is improper. Lehman Holdings' response memorandum was filed on May 31, 2017 and a reply memorandum of the defendants filing the motion was filed on July 14, 2017. A hearing on the motion was held on June 12, 2018.

On August 13, 2018, the Court issued its Memorandum Decision and Order ("Decision") denying the motion. On August 27, 2018, a number of the defendants, including SecurityNational Mortgage, filed a joint motion with the United States District Court (Case No. 18-mc-00392(VEC)) requesting that the Bankruptcy Court's Decision be treated as findings of fact and conclusions of law, and for the District Court to review the Decision *de novo* as to jurisdiction. Included with the motion were proposed objections to the Bankruptcy Court's Decision. On September 18, 2018, Lehman Holdings filed its response to the joint motion, and defendants' reply was filed on October 2, 2018.

On September 17, 2018, certain defendants, including SecurityNational Mortgage, also filed a notice of appeal, and thereafter a motion for leave to file an interlocutory appeal as to the Bankruptcy Court's Decision pertaining to jurisdiction and improper venue as a "protective" appeal should the District Court decide not to treat the Decision as findings of fact and conclusions of law. Separately, certain other defendants also filed a notice of appeal and motion for leave to file an interlocutory appeal with respect to the Bankruptcy Court's Decision concerning improper venue. Lehman Holdings filed its response on October 22, 2018, and defendants filed a joint reply to Lehman Holdings' response on November 26, 2018. The motions to file appeals were consolidated before Valerie Caproni, U.S. District Court Judge, Case No. 18-cv-08986 (VEC). Case No. 18-mc-00392 (VEC) was also before Judge Caproni.

On October 1, 2018, Lehman Holdings filed a motion for leave to file Third Amended Complaints against numerous defendants including SecurityNational Mortgage. In addition to the Fannie Mae and Freddie Mac related loans, the amendments and supplements include additional mortgage loans sold to Lehman Holdings that were packaged for securitization ("RMBS loans"). The RMBS loans had allegedly been sold by defendants to Lehman Bank that, in turn, sold them to Lehman Holdings. The allegations pertaining to the RMBS loans include, e.g., purported breaches of representations and warranties made to the securitization trusts by Lehman Holdings. Lehman Holdings asserts that it made representations and warranties purportedly based in part by representations and warranties made to Lehman Bank by loan originators, including SecurityNational Mortgage.

On May 8, 2019, Judge Caproni issued her Opinion and Order denying the motion for an interlocutory appeal of the bankruptcy court's ruling relative to jurisdiction and venue. Further, the judge denied the motion for immediate *de novo* review of the bankruptcy court's ruling indicating that *de novo* review can be left for the future.

The alleged RMBS loans in dispute with SecurityNational Mortgage allegedly involve millions of dollars pertaining to approximately 577 mortgage loans in addition to the Fannie Mae and Freddie Mac related loans. Lehman Holdings also moved the Court to simultaneously allow alternative dispute resolution procedures to take place including potential mediation. Over objections, at a hearing on October 29, 2018, the Court granted Lehman Holdings' motion to amend or supplement its complaints adding the RMBS loans, and also to mandate alternative

10) Reinsurance, Commitments and Contingencies (Continued)

dispute resolution procedures affecting many defendants, including SecurityNational Mortgage.

Instead of filing a Third Amended Complaint to include the RMBS loans referenced above, Lehman Holdings filed the matter against SecurityNational Mortgage as a new complaint ("RMBS Complaint") (United States Bankruptcy Court, Southern District of New York, Adversary Proceeding 18-01819) pertaining to the approximately 577 RMBS loans, in addition to the Second Amended Complaint already on file. The RMBS Complaint seeks alleged damages relating to obligations under alleged contractual indemnification provisions in an amount to be determined at trial, interest, costs and expenses incurred by LBHI in enforcing alleged obligations, including attorneys' fees and costs and any expert witness fees incurred in litigation; and such other relief as the Court deems just and proper. SecurityNational Mortgage denies any liability to Lehman Holdings and intends to vigorously protect and defend its position.

In response to a Court order, certain defendants referenced in the Second Amended Complaint and the RMBS Complaints negotiated with Lehman Holdings concerning an amended case management order pertaining to certain case procedures and management for both lawsuits including, but not limited to, timing for filing motions and answering the complaints, and provisions concerning discovery such as document production, taking depositions, and use of experts. At a hearing held on March 7, 2019, the Court considered differences of the parties as to the content of an amended case management order, and thereafter signed an amended case management order dated March 13, 2019. SecurityNational Mortgage filed an answer and amended answer in the Fannie Mae and Freddie Mac case, and in the RMBS case. Discovery is in process.

Lehman Holdings sent an Indemnification Alternative Dispute Resolution Notice to SecurityNational Mortgage dated August 1, 2019. SecurityNational Mortgage sent its Statement of Position to Lehman Brothers Holdings dated September 3, 2019 in response to the notice. Thereafter, Lehman Holdings sent its Reply dated October 2, 2019 to SecurityNational Mortgage. On January 9, 2020, SecurityNational Mortgage submitted further information to the mediator. Mediation was set to take place on January 23, 2020 in New York.

On January 15, 2020, SecurityNational Mortgage filed a motion to dismiss Lehman Holdings' RMBS action in the Bankruptcy Court for lack of subject matter jurisdiction and standing. It was not filed in the Bankruptcy Court but in the United States District Court for the Southern District of New York. The District Court referred the matter to a magistrate judge for general pretrial, which "includes scheduling, discovery, non-dispositive pretrial motions, and settlement," as well as for "a Report and Recommendation" as to the pending motion. The final disposition of the motion will be with the District Court judge. Lehman Holdings has asked the District Court to transfer the case to one of two other judges allegedly due to related matters. No action has been taken by the District Court on the request.

However, a briefing schedule is in place before the original assigned magistrate judge. Lehman Holdings' response brief to SecurityNational Mortgage's motion is due March 6, 2020, and SecurityNational Mortgage's reply brief is due April 6, 2020. In view of SecurityNational Mortgage's motion to dismiss, Lehman Holdings requested that the mediation set for January 23, 2020 be adjourned "pending resolution of your [SecurityNational Mortgage] motion by the court." On January 17, 2020, the mediator adjourned the scheduled mediation without a date.

Non-Cancelable Leases

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

Other Contingencies and Commitments

The Company has entered into commitments to fund construction and land development loans and has also provided financing for land acquisition and development. As of December 31, 2019, the Company's commitments were approximately $123,601,000, for these loans of which $90,566,000 had been funded. The Company will advance funds once the work has been completed and an independent inspection is made. The maximum loan commitment

10) Reinsurance, Commitments and Contingencies (Continued)

ranges between 50% and 80% of appraised value. The Company receives fees and interest for these loans and the interest rate is generally fixed 5.50% to 8.00% per annum. Maturities range between six and eighteen months.

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

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

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

11) Retirement Plans

The Company and its subsidiaries 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 the years ended December 31, 2019 and 2018. On November 25, 2019, the Company distributed a "Notice of Intent to Terminate" the ESOP Plan to all current plan participants. The Company also filed Form 5310 "Application for Determination for Terminating Plan", with the IRS on December 6, 2019. The Company is awaiting approval of its application from the IRS prior to its final distribution of the ESOP Plan assets to the participants. At December 31, 2019, the ESOP held 495,618 shares of Class A and 307,491 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 $19,000 and $18,500 for the years 2019 and 2018, 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 the years ended December 31, 2019 and 2018 was $695,560 and $1,480,913, respectively under the "Safe Harbor" plan.

In 2001, the Company's Board of Directors adopted a Non-Qualified Deferred Compensation Plan, and this plan was amended in 2005. Under the terms of the Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and

11) Retirement Plans (Continued)

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 2019 and 2018.

Effective December 4, 2018, the Board members approved a motion to extend Mr. Quist's employment agreement, dated December 4, 2012, for an additional four-year term ending December 2022. In the event of disability, Mr. Quist's salary would be continued for up to five years at 75% of its current level of compensation.

In the event of a sale or merger of the Company and Mr. Quist is not retained in his current position, the Company would be obligated to continue paying 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 level of compensation. In the event that Mr. Quist dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company expensed $660,000 and $660,000 during the years ended December 31, 2019 and 2018, respectively, to cover the present value of anticipated retirement benefits under the employment agreement. The liability accrued was $5,722,837 and $5,191,670 as of December 31, 2019 and 2018, respectively.

The Company, through its wholly owned subsidiary, SecurityNational Mortgage, also has an employment agreement with its former Vice President of Mortgage Operations and President of SecurityNational Mortgage, who retired from the Company on December 31, 2015. Under the terms of the employment agreement, this individual is entitled to receive retirement benefits from the Company for a period of ten years in an amount equal to 50% of his rate of compensation at the time of his retirement, which was $267,685 for the year ended December 31, 2015. Such retirement payments are paid monthly during the ten-year period. In the event that this individual dies prior to receiving all of his retirement benefits under his employment agreement, the remaining benefits will be made to his heirs. The company paid $133,843 and $133,843 in retirement compensation to this individual during the years ended December 31, 2019 and 2018, respectively. The liability accrued was $803,055 and $841,591 as of December 31, 2019 and 2018, respectively and is included in Other liabilities and accrued expenses on the consolidated balance sheets.

12) Capital Stock

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

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

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

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

The following table summarizes the activity in shares of capital stock for the two-year period ended December 31, 2019:

	Class A	Class C
Outstanding shares at December 31, 2017	14,535,577	2,089,374
Exercise of stock options	38,473	-
Stock dividends	730,560	104,457
Conversion of Class C to Class A	188	(188)
Outstanding shares at December 31, 2018	15,304,798	2,193,643
Exercise of stock options	32,517	191,443
Stock dividends	767,178	119,087
Conversion of Class C to Class A	3,286	(3,286)
Outstanding shares at December 31, 2019	16,107,779	2,500,887

12) Capital Stock (Continued)

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

	2019	2018
Numerator:		
Net earnings	$ 10,893,519	$ 21,686,079
Denominator:		
Denominator for basic earnings per share-weighted-average shares	18,104,681	17,968,062
Effect of dilutive securities		
Employee stock options	124,435	220,603
Dilutive potential common shares	124,435	220,603
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	18,229,116	18,188,665
Basic earnings per share	$0.60	$1.21
Diluted earnings per share	$0.60	$1.19

For the years ended December 31, 2019 and 2018, there were 382,289 and 862,915 of anti-dilutive employee stock option shares, respectively, that were not included in the computation of diluted net earnings per common share as their effect would be anti-dilutive.

13) Stock Compensation Plans

The Company has two fixed option plans (the "2013 Plan" and the "2014 Director Plan"). Compensation expense for options issued of $256,996 and $237,123 has been recognized under these plans for the years ended December 31, 2019 and 2018, respectively, and is included in personnel expenses on the consolidated statements of earnings. As of December 31, 2019, the total unrecognized compensation expense related to the options issued in December 2019 was $230,446, which is expected to be recognized over the vesting period of one year.

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

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

			Assumptions				
Grant Date	Plan	Weighted-Average Fair Value of Each Option	Expected Dividend Yield	Underlying stock FMV	Weighted-Average Volatility	Weighted-Average Risk-Free Interest Rate	Weighted-Average Expected Life (years)
December 6, 2019	All Plans	$ 0.96	5%	$ 5.19	32.79%	1.64%	4.83
January 17, 2019	All Plans	$ 1.12	5%	$ 4.98	36.04%	2.56%	5.31
November 30, 2018	All Plans	$ 1.12	5%	$ 4.91	34.61%	2.86%	4.56

13) Stock Compensation Plans (Continued)

Activity of the stock option plans is summarized as follows:

	Number of Class A Shares	Weighted Average Exercise Price	Number of Class C Shares	Weighted Average Exercise Price
Outstanding at January 1, 2018	880,426	$ 4.35	523,603	$ 5.24
Adjustment for the effect of stock dividends	48,168		27,491	
Granted	142,000		90,000	
Exercised	(42,211)		-	
Cancelled	(17,109)		(63,814)	
Outstanding at December 31, 2018	1,011,274	$ 4.49	577,280	$ 5.15
Adjustment for the effect of stock dividends	51,018		28,295	
Granted	81,000		180,000	
Exercised	(45,834)		(191,443)	
Cancelled	(11,405)		-	
Outstanding at December 31, 2019	1,086,053	$ 4.41	594,132	$ 5.36
Exercisable at end of year	1,002,603	$ 4.34	405,132	$ 5.40
Available options for future grant	205,664		-	
Weighted average contractual term of options outstanding at December 31, 2019	5.62 years		5.82 years	
Weighted average contractual term of options exercisable at December 31, 2019	5.26 years		4.54 years	
Aggregated intrinsic value of options outstanding at December 31, 2019 (1)	$1,291,602		$2,177,223	
Aggregated intrinsic value of options exercisable at December 31, 2019 (1)	$1,259,786		$159,028	

(1) The Company used a stock price of $5.57 as of December 31, 2019 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, 2019 and 2018 was $271,220 and $123,154, respectively.

14) Statutory Financial Information and Dividend Limitations

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

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:

	Statutory Net Income		Statutory Capital and Surplus	
	2019	2018	2019	2018
Amounts by insurance subsidiary:				
Security National Life Insurance Company	$ 3,589,552	$17,963,528	$ 49,390,181	$ 47,184,064
Kilpatrick Life Insurance Company	12,752,100 (1)	-	15,208,071	-
First Guaranty Insurance Company	1,078,733	1,042,683	6,352,670	5,786,369
Memorial Insurance Company of America	(107)	94	1,088,559	1,088,880
Southern Security Life Insurance Company, Inc.	87	68	1,588,396	1,586,915
Trans-Western Life Insurance Company	3,773	5,460	512,163	508,390
Total	$17,424,138	$19,011,833	$ 74,140,040	$ 56,154,618

(1) Includes 12 months even though Kilpatrick Life Insurance Company wasn't acquired by the Company until December 2019.

The Utah, Arkansas, Louisiana, Mississippi and Texas Insurance Departments impose minimum risk-based capital (RBC) requirements that were developed by the NAIC on insurance enterprises. The formulas for determining the RBC specify various factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio (the Ratio) of the enterprise's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The life insurance subsidiaries each have a ratio that is greater than the first level of regulatory action as of December 31, 2019.

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

Under the Utah Insurance Code, Security National Life Insurance Company is permitted to pay a stockholder dividend to the Company as long as the Company provides the Utah Insurance Commissioner (the "Utah Commissioner") with at least 30 days notice and the aggregate amount of all such dividends in any 12 month period does not exceed the lesser of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) net gain from operations, not including realized capital gains, for the immediately preceding calendar year, not including pro rata distributions of the Company's own securities. In determining whether a dividend is extraordinary, the Company may include carryforward net income from the previous two calendar years, excluding realized capital gains less dividends paid in the second and immediately preceding calendar years. Security National Life Insurance Company will be permitted to pay a dividend to the Company in excess of the

14) Statutory Financial Information and Dividend Limitations (Continued)

lesser of such two amounts only if it files notice of its intention to declare such a dividend and the amount thereof with the Utah Commissioner and the Utah Commissioner either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In all cases, a dividend may not be paid that would reduce the insurer's total adjusted capital below the insurer's company action level risk-based capital, as defined for statutory reporting purposes. Amounts available to be paid as dividends in the next 12 months totals approximately $4,795,000.

Under the Louisiana Insurance Code, First Guaranty Insurance Company and Kilpatrick Life Insurance Company are permitted to pay a stockholder dividend to Security National Life as long as their capital has been (i) fully paid in cash, (ii) is unimpaired, (iii) has a surplus beyond its capital stock and (iv) has a surplus beyond its minimum required surplus. In 2019, First Guaranty Insurance Company paid to Security National Life a cash dividend of $500,000 and Kilpatrick Life Insurance Company paid a cash dividend of $3,000,000. Amounts available to be paid as dividends at December 31, 2019 totaled approximately $2,453,000 for First Guaranty Insurance Company and totaled approximately $11,508,000 for Kilpatrick Life Insurance Company.

15) Business Segment Information

Description of Products and Services by Segment

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

Measurement of Segment Profit or Loss and Segment Assets

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

Factors Management Used to Identify the Enterprise's Reportable Segments

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

15) Business Segment Information (Continued)

	2019				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Intercompany Eliminations	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 81,860,610	$ 15,296,235	$ 131,976,082	$ -	$ 229,132,927
Net investment income	41,610,831	579,995	828,647	-	43,019,473
Gains on investments and other assets	138,330	530,098	59,939	-	728,367
Other revenues	2,128,961	95,197	7,956,005	-	10,180,163
Intersegment revenues:					
Net investment income	4,455,034	443,548	508,637	(5,407,219)	-
Total revenues	130,193,766	16,945,073	141,329,310	(5,407,219)	283,060,930
Expenses:					
Death, surrenders and other policy benefits	44,911,805	-	-	-	44,911,805
Increase in future policy benefits	23,568,497	-	-	-	23,568,497
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	14,199,152	435,425	-	-	14,634,577
Selling, general and administrative expenses:					
Commissions	3,632,780	1,084,079	52,046,032	-	56,762,891
Personnel	20,311,591	5,177,810	38,731,869	-	64,221,270
Advertising	595,118	368,173	3,821,267	-	4,784,558
Rent and rent related	451,380	47,525	6,556,551	-	7,055,456
Depreciation on property and equipment	477,247	428,633	805,489	-	1,711,369
Cost related to funding mortgage loans	-	-	6,278,954	-	6,278,954
Intersegment	412,853	180,594	544,463	(1,137,910)	-
Other	11,769,097	3,241,023	19,912,641	-	34,922,761
Interest expense:					
Intersegment	490,756	154,615	3,623,938	(4,269,309)	-
Other	2,808,081	288,768	4,289,839	-	7,386,688
Costs of goods and services sold-mortuaries and cemeteries	-	2,878,169	-	-	2,878,169
Total benefits and expenses	123,628,357	14,284,814	136,611,043	(5,407,219)	269,116,995
Earnings before income taxes	$ 6,565,409	$ 2,660,259	$ 4,718,267	$ -	$ 13,943,935
Income tax benefit (expense)	(1,085,848)	(649,144)	(1,315,424)	-	(3,050,416)
Net earnings	$ 5,479,561	$ 2,011,115	$ 3,402,843	$ -	$ 10,893,519
Identifiable assets	$ 1,110,641,526	$ 81,014,182	$ 249,970,323	$ (110,701,544)	$ 1,330,924,487
Goodwill	$ 2,765,570	$ 754,018	$ -	$ -	$ 3,519,588

15) Business Segment Information (Continued)

	2018				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Intercompany Eliminations	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 75,928,910	$ 13,726,518	$ 116,185,853	$ -	$ 205,841,281
Net investment income	38,720,365	283,343	909,559	-	39,913,267
Gains on investments and other assets	21,396,282	2,301,342	243,555	-	23,941,179
Other revenues	1,636,901	128,797	8,157,302	-	9,923,000
Intersegment revenues:					
Net investment income	3,972,532	429,312	503,794	(4,905,638)	-
Total revenues	141,654,990	16,869,312	126,000,063	(4,905,638)	279,618,727
Expenses:					
Death, surrenders and other policy benefits	39,185,087	-	-	-	39,185,087
Increase in future policy benefits	24,332,088	-	-	-	24,332,088
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	11,270,579	360,767	-	-	11,631,346
Selling, general and administrative expenses:					
Commissions	3,242,745	1,222,642	45,825,965	-	50,291,352
Personnel	18,489,063	4,773,866	44,106,023	-	67,368,952
Advertising	566,154	333,852	3,702,585	-	4,602,591
Rent and rent related	321,701	33,138	7,250,536	-	7,605,375
Depreciation on property and equipment	400,686	372,469	1,093,846	-	1,867,001
Cost related to funding mortgage loans	-	-	6,423,944	-	6,423,944
Intersegment	402,213	182,009	531,370	(1,115,592)	-
Other	10,094,626	3,046,902	17,873,471	-	31,014,999
Interest expense:					
Intersegment	481,587	173,807	3,134,652	(3,790,046)	-
Other	2,744,841	294,535	3,917,331	-	6,956,707
Costs of goods and services sold-mortuaries and cemeteries	-	2,158,895	-	-	2,158,895
Total benefits and expenses	111,531,370	12,952,882	133,859,723	(4,905,638)	253,438,337
Earnings before income taxes	$ 30,123,620	$ 3,916,430	$ (7,859,660)	$ -	$ 26,180,390
Income tax benefit (expense)	(5,275,662)	(946,820)	1,728,171	-	(4,494,311)
Net earnings	$ 24,847,958	$ 2,969,610	$ (6,131,489)	$ -	$ 21,686,079
Identifiable assets	$ 928,251,387	$ 90,639,130	$ 159,680,649	$ (130,525,613)	$ 1,048,045,553
Goodwill	$ 2,765,570	$ -	$ -	$ -	$ 2,765,570

16) Related Party Transactions

The Company's Board of Directors has a written procedure, which requires disclosure to the Board of any material interest or any affiliation on the part of any of its officers, directors or employees that is in conflict or may be in conflict with the interests of the Company. The Company and its Board of Directors is unaware of any related party transactions that require disclosure as of December 31, 2019.

17) Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

Loans Held for Sale: The Company elected the fair value option for loans held for sale. The fair value is based on quoted market prices, when available. When a quoted market price is not readily available, the Company uses the market price from its last sale of similar assets.

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

17) Fair Value of Financial Instruments (Continued)

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

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

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

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

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

The items shown under Level 3 are valued as follows:

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

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

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

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

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

17) Fair Value of Financial Instruments (Continued)

The following table summarizes Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the consolidated balance sheet at December 31, 2019.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturity securities available for sale	$ 355,977,820	$ -	$ 352,761,438	$ 3,216,382
Equity securities	7,271,165	7,271,165	-	-
Loans held for sale	213,457,632	-	-	213,457,632
Restricted assets (1)	1,008,867	-	1,008,867	-
Restricted assets (2)	1,976,480	1,976,480	-	-
Cemetery perpetual care trust investments (1)	975,673	-	975,673	-
Cemetery perpetual care trust investments (2)	1,605,451	1,605,451	-	-
Derivatives - loan commitments (3)	2,722,580	-	-	2,722,580
Total assets accounted for at fair value on a recurring basis	$ 584,995,668	$ 10,853,096	$ 354,745,978	$ 219,396,594
Liabilities accounted for at fair value on a recurring basis				
Derivatives - call options (4)	$ (62,265)	$ (62,265)	$ -	$ -
Derivatives - put options (4)	(22,282)	(22,282)	-	-
Derivatives - loan commitments (4)	(231,347)	-	-	(231,347)
Total liabilities accounted for at fair value on a recurring basis	$ (315,894)	$ (84,547)	$ -	$ (231,347)

(1) Fixed maturity securities available for sale
(2) Mutual funds and equity securities
(3) Included in other assets on the consolidated balance sheets
(4) Included in other liabilities and accrued expenses on the consolidated balance sheets

For Level 3 assets and liabilities measured at fair value on a recurring basis as of December 31, 2019, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at 12/31/2019	Valuation Technique	Significant Unobservable Input(s)	Range of Inputs Minimum Value	Range of Inputs Maximum Value	Weighted Average
Loans held for sale	$ 213,457,632	Market approach	Investor contract pricing as a percentage of unpaid principal balance	98.0%	109.0%	103.0%
Derivatives - loan commitments (net)	2,491,233	Market approach	Fall-out factor	1.0%	92.0%	81.0%
			Initial-Value	N/A	N/A	N/A
			Servicing	0 bps	318 bps	79 bps
Fixed maturity securities available for sale	3,216,382	Broker quotes	Pricing quotes	$ 95.02	$ 115.80	$ 107.98

17) Fair Value of Financial Instruments (Continued)

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

	Net Derivatives Loan Commitments	Loans Held for Sale	Fixed Maturity Securities Available for Sale
Balance - December 31, 2018	$ 1,591,816	$ 136,210,853	$ -
Originations/purchases	-	2,606,839,175	-
Sales	-	(2,580,875,055)	-
Transfer to mortgage loans held for investment	-	(31,881,851)	-
Transfer from fixed maturity securities held to maturity	-		3,216,382
Total gains (losses):			
Included in earnings (1)	899,417	83,164,510	-
Balance - December 31, 2019	$ 2,491,233	$ 213,457,632	$ 3,216,382

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

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, 2019.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Impaired mortgage loans held for investment	$ 1,302,025	$ -	$ -	$ 1,302,025
Impaired real estate held for investment	8,375,884	-	-	8,375,884
Total assets accounted for at fair value on a nonrecurring basis	$ 9,677,909	$ -	$ -	$ 9,677,909

17) Fair Value of Financial Instruments (Continued)

The following table summarizes Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the consolidated balance sheet at December 31, 2018.

	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				
Equity securities	$ 5,558,611	$ 5,558,611	$ -	$ -
Loans held for sale	136,210,853	-	-	136,210,853
Restricted assets (1)	744,673	744,673	-	-
Cemetery perpetual care trust investments (1)	483,353	483,353	-	-
Derivatives - loan commitments (2)	1,969,967	-	-	1,969,967
Total assets accounted for at fair value on a recurring basis	$ 144,967,457	$ 6,786,637	$ -	$ 138,180,820
Liabilities accounted for at fair value on a recurring basis				
Derivatives - call options (3)	$ (4,629)	$ (4,629)	$ -	$ -
Derivatives - put options (3)	(296,053)	(296,053)	-	-
Derivatives - loan commitments (3)	(378,151)	-	-	(378,151)
Total liabilities accounted for at fair value on a recurring basis	$ (678,833)	$ (300,682)	$ -	$ (378,151)

(1) Mutual funds and equity securities
(2) Included in other assets on the consolidated balance sheets
(3) Included in other liabilities and accrued expenses on the consolidated balance sheets

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

	Net Derivatives Loan Commitments	Loans Held for Sale
Balance - December 31, 2017	$ 1,996,589	$ 133,414,188
Originations		2,194,607,543
Sales		(2,259,145,473)
Transfer to mortgage loans held for investment		(10,827,797)
Total gains (losses):		
Included in earnings (1)	(404,773)	78,162,392
Balance - December 31, 2018	$ 1,591,816	$ 136,210,853

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

17) 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, 2018.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Impaired mortgage loans held for investment	$ 1,253,302	$ -	$ -	$ 1,253,302
Impaired real estate held for investment	1,611,384	-	-	1,611,384
Total assets accounted for at fair value on a nonrecurring basis	$ 2,864,686	$ -	$ -	$ 2,864,686

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, 2019 and 2018.

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, 2019:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans held for investment					
Residential	$ 110,253,678	$ -	$ -	$ 115,320,638	$ 115,320,638
Residential construction	88,651,967	-	-	88,651,967	88,651,967
Commercial	37,788,901	-	-	39,289,462	39,289,462
Mortgage loans held for investment, net	$ 236,694,546	$ -	$ -	$ 243,262,067	$ 243,262,067
Policy loans	14,762,805	-	-	14,762,805	14,762,805
Insurance assignments, net (1)	39,614,939	-	-	39,614,939	39,614,939
Restricted assets (2)	2,275,756	-	-	2,289,679	2,289,679
Cemetery perpetual care trust investments (2)	524,000	-	-	536,553	536,553
Mortgage servicing rights, net	17,155,529	-	-	22,784,571	22,784,571
Liabilities					
Bank and other loans payable	$ (217,572,612)	$ -	$ -	$ (217,572,612)	$ (217,572,612)
Policyholder account balances (3)	(45,154,180)	-	-	(41,828,469)	(41,828,469)
Future policy benefits - annuities (3)	(113,579,830)	-	-	(117,304,614)	(117,304,614)

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

(2) Mortgage loans held for investment

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

17) Fair Value of Financial Instruments (Continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of December 31, 2018:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Fixed maturity securities, held to maturity	$ 232,078,723	$ -	$ 229,668,844	$ 5,082,014	$ 234,750,858
Mortgage loans held for investment					
Residential	87,947,566	-	-	92,503,553	92,503,553
Residential construction	70,886,702	-	-	70,886,702	70,886,702
Commercial	27,630,801	-	-	28,359,205	28,359,205
Mortgage loans held for investment, net	$ 186,465,069	$ -	$ -	$ 191,749,460	$ 191,749,460
Policy loans	6,424,325	-	-	6,424,325	6,424,325
Insurance assignments, net (1)	34,146,868	-	-	34,168,868	34,168,868
Restricted assets (2)	1,258,397	-	1,271,687	-	1,271,687
Restricted assets (3)	1,799,268	-	-	1,810,185	1,810,185
Cemetery perpetual care trust investments (2)	990,390	-	983,410	-	983,410
Mortgage servicing rights, net	20,016,822	-	-	28,885,316	28,885,316
Liabilities					
Bank and other loans payable	$ (187,521,188)	$ -	$ -	$ (187,521,188)	$ (187,521,188)
Policyholder account balances (4)	(46,479,853)	-	-	(37,348,289)	(37,348,289)
Future policy benefits - annuities (4)	(98,137,615)	-	-	(97,641,146)	(97,641,146)

(1) Included in other investments and policy loans on the consolidated balance sheets
(2) Fixed maturity securities held to maturity
(3) Participation in mortgage loans held for investment
(4) Included in future policy benefits and unpaid claims on the consolidated balance sheets

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

Fixed Maturity Securities Held to Maturity: 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.

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

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

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

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

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

17) Fair Value of Financial Instruments (Continued)

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

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

Policyholder Account Balances and Future Policy Benefits-Annuities: Future policy benefit reserves for interest-sensitive insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 1.5% to 6.5%. The fair values for these investment-type insurance contracts are estimated based on the present value of liability cash flows.

The fair values for the Company's insurance contracts other than investment-type contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, such that the Company's exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under insurance contracts.

18) Accumulated Other Comprehensive Income

The following summarizes the changes in accumulated other comprehensive income:

	December 31	
	2019	2018
Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-01) for equity securities	$ -	$ (603,170)
Unrealized gains on fixed maturity securities available for sale	17,315,770	-
Reclassification adjustment for net realized gains in net income	-	-
Net unrealized gains before taxes	17,315,770	-
Tax expense	(3,636,311)	-
Net	13,679,459	-
Unrealized gains on restricted assets (1)	35,550	-
Tax expense	(8,856)	-
Net	26,694	-
Unrealized gains on cemetery perpetual care trust investments (1)	29,904	-
Tax expense	(7,449)	-
Net	22,455	-
Unrealized gains for foreign currency translations adjustments	972	(3,761)
Tax expense	(243)	938
Net	729	(2,823)
Other comprehensive income changes	$ 13,729,337	$ (605,993)

(1) Fixed maturity securities available for sale

18) Accumulated Other Comprehensive Income (Continued)

The following is the accumulated balances of other comprehensive income as of December 31, 2019:

	Beginning Balance December 31, 2018	Change for the period	Ending Balance December 31, 2019
Unrealized gains on fixed maturity securities available for sale	$ -	$ 13,679,459	$ 13,679,459
Unrealized gains on restricted assets (1)	-	26,694	26,694
Unrealized gains on cemetery perpetual care trust investments (1)	-	22,455	22,455
Foreign currency translation adjustments	(2,823)	729	(2,094)
Other comprehensive income (loss)	$ (2,823)	$ 13,729,337	$ 13,726,514

(1) Fixed maturity securities available for sale

The following is the accumulated balances of other comprehensive income as of December 31, 2018:

	Beginning Balance December 31, 2017	Change for the period	Ending Balance December 31, 2018
Unrealized gains on equity securities, restricted assets and cemetery perpetual care trust investments	$ 603,170	$ (603,170) (1)	$ -
Foreign currency translation adjustments	-	(2,823)	(2,823)
Other comprehensive income (loss)	$ 603,170	$ (605,993)	$ (2,823)

(1) Cumulative effect adjustment upon adoption of new accounting standard (ASU 2016-01)

19) Derivative Instruments

The following table shows the fair value and notional amounts of derivative instruments as of December 31, 2019 and 2018.

Fair Values and Notional Amounts of Derivative Instruments

		December 31, 2019			December 31, 2018		
	Balance Sheet Location	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives not designated as hedging instruments:							
Loan commitments	Other assets and Other liabilities	$224,202,514	$2,722,580	$231,347	$ 93,758,218	$1,969,967	$378,151
Call options	Other liabilities	1,813,500	--	62,265	805,500	--	4,629
Put options	Other liabilities	1,573,100	--	22,282	4,861,700	--	296,053
Total		$227,589,114	$2,722,580	$315,894	$ 99,425,418	$1,969,967	$678,833

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 into income or gains or losses recognized in income on derivatives ineffective portion or any amounts excluded from effective testing.

		Net Amount Gain (Loss) Years ended December 31	
Derivative	Classification	2019	2018
Loan commitments	Mortgage fee income	$ 899,417	$ (404,773)
Call and put options	Gains on investments and other assets	$ 626,208	$ 187,786

20) Acquisitions

Kilpatrick Life Insurance Company

On December 13, 2019, the Company, through its wholly owned subsidiary, Security National Life Insurance Company ("Security National Life") completed a stock purchase transaction with Kilpatrick Life Insurance Company, a Louisiana domiciled life insurance company ("Kilpatrick Life") and its shareholders, which resulted in the purchase of all the outstanding shares of common stock of Kilpatrick Life. The closing of the transaction was subject to approval by the Louisiana Department of Insurance of the change of control of Kilpatrick Life, which was received on December 12, 2019. Under the terms of the transaction, the total Purchase Price that Security National Life paid for all the shares held by the Kilpatrick shareholders was $23,779,940 subject to a $1,400,000 holdback, as agreed with the shareholders.

Kilpatrick Life has been in operation since 1932 and provides life insurance products and services through insurance plans such as permanent and term life insurance, asset protection plans, graded whole life insurance, and annuities. Additionally, it provides insurance services for emergencies and pre-arranged funeral services. Kilpatrick Life is based in Shreveport, Louisiana with additional offices in Jena, Alexandria, Minden, and Arcadia, Louisiana.

Kilpatrick Life employs a staff of almost 120 associates in four offices in Louisiana and is licensed to operate in Louisiana, Texas, Arkansas, Oklahoma, and Mississippi with the home office located in Shreveport, LA. It is the mission of Kilpatrick Life to continue providing the utmost service and protection for its policyholders for generations to come.

Prior to the stock purchase transaction, Security National life and Kilpatrick Life entered into a coinsurance agreement, effective October 1, 2019. After the effective date, Security National Life, as coinsurer, agreed to be responsible for and was obligated with respect to 100% of the contractual liabilities under the Kilpatrick Life's life insurance policies in accordance with the terms and conditions of the policies and applicable law. Unless otherwise directed by Security National Life, as coinsurer, Kilpatrick Life continued to administer the policies on behalf of Security National Life, as coinsurer, for the duration of the coinsurance agreement.

As part of the coinsurance agreement, effective October 1, 2019, Security National Life acquired the following assets and assumed the following contractual liabilities.

Other investments and policy loans	$ 9,124,459
Real estate held for investment	2,850,000
Mortgage loans held for investment	200,000
Receivables	131,258
Total assets acquired	12,305,717
Future policy benefits and unpaid claims	(165,404,970)
Other liabilities and accrued expenses	(5,259,341)
Total liabilities assumed	(170,664,311)
Cash received for reinsurance assumed	$ 158,358,594

Contemporaneous with the stock purchase transaction, both Kilpatrick Life and Security National Life, as coinsurer, agreed terminate the coinsurance agreement, to require the recapture of the life insurance policies by Kilpatrick Life and provided notification to the Louisiana Department of Insurance. The final settlement and transfer of the coinsurance trust assets from Security National Life back to Kilpatrick Life occurred shortly thereafter.

20) Acquisitions (Continued)

The estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition, on December 13, 2019, are shown in the following table. At the time of acquisition some of these assets and liabilities became intercompany items, and the Company has eliminated them for consolidation.

Fixed maturity securities, available for sale	$ 22,766,520	
Fixed maturity securities, held to maturity	16,436	
Mortgage loans held for investment	8,011,660	
Real estate held for investment	2,708,557	
Other investments	446,655	
Accrued investment income	183,527	
Total investments	34,133,355	
Cash and cash equivalents	6,900,654	
Receivables, net	5,407,736	(1)
Receivables from reinsurers	168,105,064	(1)
Property and equipment, net	1,498,245	
Value of business acquired	4,962,831	
Deferred taxes	167,344	
Other	712,323	
Total assets acquired	221,887,552	
Future policy benefits and unpaid claims	(189,071,407)	
Accounts payable	(283,304)	
Other liabilities and accrued expenses	(7,870,944)	
Income taxes	(881,957)	
Total liabilities assumed	(198,107,612)	
Fair value of net assets acquired/consideration paid	$ 23,779,940	
Fair value of net assets acquired/consideration paid, net of cash acquired	$ 16,879,286	

(1) Receivable from reinsurers of $162,907,008 and receivables, net of $5,000,000 were settled with the recapture of the coinsurance agreement by Kilpatrick Life from Security National Life.

Kilpatrick Life's revenues and net loss since the date of acquisition were $1,461,011 and $848,031, respectively.

Probst Family Funerals and Cremations and Heber Valley Funeral Home

On February 15, 2019, the Company, through its wholly-owned subsidiary, Memorial Mortuary Inc., completed an asset purchase transaction with Probst Family Funerals and Cremations, LLC. ("Probst Family Funerals") and Heber Valley Funeral Home, Inc. ("Heber Valley Funeral Home"). These funeral homes are both located in Heber Valley, a community situated about 45 miles southeast of Salt Lake City.

Under the terms of the transaction, as set forth in the Asset Purchase Agreement, dated February 15, 2019, Memorial Mortuary Inc. paid a net purchase price of $3,315,647 for the business and assets of Probst Family Funerals and Heber Valley Funeral Home, subject to a $150,000 holdback. In August 2019, this escrow account was settled and $137,550 was paid to the prior owners.

20) Acquisitions (Continued)

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

Cash	$ 53,859
Property and equipment	2,475,526
Receivables	13,620
Goodwill	754,018
Other	21,800
Total assets acquired	3,318,823
Bank and other loans payable	(3,176)
Total liabilities assumed	(3,176)
Fair value of net assets acquired/consideration paid	$3,315,647
Fair value of net assets acquired/consideration paid, net of cash acquired	$3,261,788

Probst Family Funerals and Heber Valley Funeral Home's revenues and net earnings since the date of acquisition were $796,992 and $97,400, respectively.

Beta Capital Corp.

On June 1, 2018, the Company completed a stock purchase transaction with Beta Capital Corp. ("Beta Capital") and Ronald D. Maxson ("Maxson"), the sole owner of all the outstanding shares of common stock of Beta Capital, to purchase all of the outstanding shares of common stock of Beta Capital. Beta Capital 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 Stock Purchase Agreement, dated June 1, 2018, by and among the Company, Beta Capital and Maxson, the Company paid Maxson the purchase consideration at the closing of the transaction equal to the sum of (i) $890,000 in cash plus (ii) the accounts receivable value of $2,515,783, representing the total amount of the Company's outstanding receivables as of the closing date of June 1, 2018, for a total closing payment of $3,405,783. From the $3,405,783 closing payment, a holdback amount equal to $175,000 was deposited into an interest bearing escrow account. In November 2019, this escrow account was settled and $169,190 was paid to the prior owner.

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

Other investments - insurance assignments	$ 2,515,783
Other - customer list intangible asset	890,000
Total assets acquired	3,405,783
Fair value of net assets acquired/consideration paid	$ 3,405,783

21) Mortgage Servicing Rights

The Company reports MSRs pursuant to the accounting policy discussed in Note 1 of the Notes to Consolidated Financial Statements.

The following table presents the MSR activity for the periods presented.

	December 31	
	2019	2018
Amortized cost:		
Balance before valuation allowance at beginning of year	$ 20,016,822	$ 21,376,937
MSR additions resulting from loan sales	4,194,502	3,922,816
Amortization (1)	(7,055,795)	(5,282,931)
Application of valuation allowance to write down MSRs with other than temporary impairment	-	-
Balance before valuation allowance at year end	$ 17,155,529	$ 20,016,822
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	$ 17,155,529	$ 20,016,822
Estimated fair value of MSRs at year end	$ 22,784,571	$ 28,885,316

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

The following table summarizes the Company's estimate of future amortization of its existing MSRs carried at amortized cost. This projection was developed using the assumptions made by management in its December 31, 2019 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
2020	$ 2,999,452
2021	2,376,277
2022	1,971,249
2023	1,631,010
2024	1,359,492
Thereafter	6,818,049
Total	$ 17,155,529

21) Mortgage Servicing Rights (Continued)

During the years ended December 31, 2019 and 2018, the Company collected the following contractual servicing fee income and late fee income as reported in other revenues on the consolidated statements of earnings:

	2019	2018
Contractual servicing fees	$ 7,212,164	$ 7,561,226
Late fees	365,477	319,244
Total	$ 7,577,641	$ 7,880,470

The following is a summary of the unpaid principal balances ("UPB") of the servicing portfolio for the periods presented:

	Years Ended December 31	
	2019	2018
Servicing UPB	$ 2,804,139,415	$ 2,941,231,563

The following key assumptions were used in determining MSR value:

	Prepayment Speeds	Average Life(Years)	Discount Rate
December 31, 2019	15.30	5.27	9.51
December 31, 2018	11.70	6.33	9.51

22) Future Policy Benefits and Unpaid Claims

The Company reports future policy benefits and unpaid claims pursuant to the accounting policy discussed in Note 1 of the Notes to Consolidated Financial Statements.

The following table provides information regarding future policy benefits and unpaid claims and the related receivable from reinsurers.

	Years Ended	
	2019	2018
Life	$ 654,585,723	$466,232,621
Annuities	113,579,831	98,137,615
Policyholder account balances	45,154,180	46,479,853
Accident and health	667,428	482,693
Other policyholder funds	4,530,227	4,431,296
Reported but unpaid claims	4,891,922	3,365,872
Incurred but not reported claims	2,191,607	1,269,764
Gross future policy benefits and unpaid claims	$ 825,600,918	$620,399,714
Receivable from reinsurers		
Life	11,040,398	6,702,328
Annuities	4,038,007	4,078,666
Accident and health	90,113	-
Reported but unpaid claims	569,250	33,108
Incurred but not reported claims	10,000	6,000
Total receivable from reinsurers	15,747,768	10,820,102
Net future policy benefits and unpaid claims	$ 809,853,150	$609,579,612

23) Revenues from Contracts with Customers

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

Contracts with Customers

Information about Performance Obligations and Contract Balances

The Company's cemetery and mortuary segment sells a variety of goods and services to customers in both at-need and pre-need situations. Due to the timing of the fulfillment of the obligation, revenue is deferred until that obligation is fulfilled. The total contract liability for future obligations is included in deferred pre-need cemetery and mortuary contract revenues on the consolidated balance sheets and, as of December 31, 2019 and 2018, the balances were $12,607,978 and 12,508,625, respectively.

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

Pre-need Merchandise and Service Revenue: All pre-need merchandise and service revenue is deferred and the funds are placed in trust until the need arises, the merchandise is received or the service is performed. The trust is then relieved, and the revenue and commissions are recognized. As of December 31, 2019 and 2018, the balances were $12,325,437 and $12,175,943, respectively.

At-need Specialty Merchandise Revenue: At-need specialty merchandise revenue consists of customizable merchandise ordered from a manufacturer such as markers and bases. When specialty merchandise is ordered, it can take time to manufacture and deliver the product. Revenue is deferred until the at-need merchandise is received. As of December 31, 2019 and 2018, the balances were $282,541 and $327,302, respectively. Deferred revenue for at-need specialty revenue is not placed in trust.

Deferred Pre-need Land Revenue: Deferred pre-need revenue and corresponding commissions are deferred until 10% of the funds are received from the customer through regular monthly payments. As of December 31, 2019 and 2018, the balances were $-0- and $5,380, respectively. Deferred pre-need land revenue is not placed in trust.

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

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

	Contract Balances		
	Receivables (1)	Contract Asset	Contract Liability
Opening (1/1/2019)	$ 2,816,225	$ -	$ 12,508,625
Closing (12/31/2019)	2,778,879	-	12,607,978
Increase/(decrease)	(37,346)	-	99,353

	Contract Balances		
	Receivables (1)	Contract Asset	Contract Liability
Opening (1/1/2018)	$ 3,608,379	$ -	$ 12,873,068
Closing (12/31/2018)	2,816,225	-	12,508,625
Increase/(decrease)	(792,154)	-	(364,443)

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

23) Revenues from Contracts with Customers (Continued)

The following table disaggregates the opening and closing balances of the Company's contract balances.

	Contract Balances	
	Contract Asset	Contract Liability
Pre-need merchandise and services	$ -	$ 12,175,943
At-need specialty merchandise	-	327,302
Pre-need land sales	-	5,380
Opening (1/1/2019)	$ -	$ 12,508,625
Pre-need merchandise and services	$ -	$ 12,325,437
At-need specialty merchandise	-	282,541
Pre-need land sales	-	-
Closing (12/31/2019)	$ -	$ 12,607,978

	Contract Balances	
	Contract Asset	Contract Liability
Pre-need merchandise and services	$ -	$ 12,620,596
At-need specialty merchandise	-	236,572
Pre-need land sales	-	15,900
Opening (1/1/2018)	$ -	$ 12,873,068
Pre-need merchandise and services	$ -	$ 12,175,943
At-need specialty merchandise	-	327,302
Pre-need land sales	-	5,380
Closing (12/31/2018)	$ -	$ 12,508,625

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the opening contract liability balance was $3,558,103 and $2,623,903, respectively.

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

Disaggregation of Revenue

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

	Years Ended December 31	
	2019	2018
Major goods/service lines		
At-need	$ 12,334,777	$ 10,391,976
Pre-need	2,961,458	3,334,542
	$ 15,296,235	$ 13,726,518
Timing of Revenue Recognition		
Goods transferred at a point in time	$ 10,133,723	$ 9,100,851
Services transferred at a point in time	5,162,512	4,625,667
	$ 15,296,235	$ 13,726,518

23) Revenues from Contracts with Customers (Continued)

Significant Judgments and Estimates

The Company's cemetery and mortuary segment recognizes revenue on future performance obligations when goods are delivered and when services are performed and is not determined by the terms or payments of the contract as long as any good or service is paid in full prior to delivery. Prices are determined based on the market at the time a contract is created. Goods or services are not partially completed. There are no significant judgements, estimations or allocation methods when revenue should be recognized.

Practical Expedients

The Company has not elected to use any of the practical expedients under ASC 606.

Contract Costs

The Company's cemetery and mortuary segment defers certain costs associated with obtaining a contract on future obligations.

Pre-need Merchandise and Service Revenue: Pre-need merchandise and service revenues are deferred until the goods or services are delivered. Recognition can be years until the obligations are satisfied. Commissions and other costs are capitalized and deferred until the obligation is satisfied. Other costs include rent on pre-need offices and training rooms, and call center costs. Costs that are allocated based on a percentage include family service advisor compensation, bonuses, utilities and supplies that are all used to procure a pre-need sale.

At-need Specialty Merchandise Revenue: At-need specialty merchandise is ordered from a third-party manufacturer. Generally, at-need specialty merchandise is ordered and received within 90 days of order. These orders are also short-term in nature and are deferred until the product is received from the manufacturer and the obligation is satisfied.

Deferred Pre-need Land Revenue: Revenue is recognized on pre-need land sales when the customer has paid at least 10% toward the land price. In cases, where customers pay less than 10%, the revenue and associated commissions are deferred until such time when 10% of the contract price is received.

The following table disaggregates contract costs that are included in deferred policy and pre-need contract acquisition costs on the consolidated balances sheets.

	Years Ended December 31	
	2019	2018
Pre-need merchandise and services	$ 3,590,266	$ 3,575,032
At-need specialty merchandise	10,688	15,926
Pre-need land sales	-	1,237
	$ 3,600,954	$ 3,592,195

24) Leases

On January 1, 2019, the Company adopted Accounting Standards Update No. 2016-02 regarding Leases ASC Topic 842. See Note 1 regarding the adoption of this standard.

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. The Company determines if a contract is a lease at the inception of the contract. At the commencement date of a lease, the Company measures the lease liability at the present value of the lease payments over the lease term, discounted using the discount rate for the lease. The Company uses the rate implicit in the lease, if available, otherwise the Company uses its incremental borrowing rate. Also, at the commencement date of a lease, the Company measures the cost of the related right-of-use asset which consists of the amount of the initial measurement of the lease liability, any lease payments made to the lessor at or before the commencement date, minus any lease incentives received and any initial direct costs incurred by the Company.

Information about the Nature of Leases and Subleases

The Company leases office space and equipment from third-parties under various non-cancelable agreements. The Company has operating leases for office space for its segments in areas where it conducts business. The Company subleases some of this office space. The Company also has finance leases for certain equipment, such as copy machines and postage machines. The Company does not have any lease agreements with variable lease payments. The Company has not included any options to extend or terminate leases in the recognition of the right-of-use assets or lease liabilities because of the uncertainty that they will be exercised. No residual value guarantees have been provided to the Company. The Company does not have any restrictions or covenants imposed by leases.

Leases that have not Commenced

The Company does not have any leases that have not commenced that create significant rights or obligations for the Company.

Related Party Lease Transactions

The Company does not have any related party lease transactions that require disclosure as of December 31, 2019.

Short-term Leases

The Company made an accounting policy election not to apply the recognition requirements of ASC 842 to short-term leases, which are leases that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying assets that the lessee is reasonably certain to exercise.

Significant Judgments and Assumptions

The Company does not use any significant judgments or assumptions regarding the determination of whether a contract contains a lease; the allocation of the consideration in a contract between lease and nonlease components; or the determination of the discount rates for the leases.

24) Leases (Continued)

The following table presents the Company's total lease cost recognized in earnings, amounts capitalized as right-of-use assets and cash flows from lease transactions for the period presented:

	Year Ended December 31
	2019
Lease Cost	
Finance lease cost:	
Amortization of right-of-use assets (1)	$ 38,351
Interest on lease liabilities (2)	9,001
Operating lease cost (3)	5,706,490
Short-term lease cost (3)(4)	233,318
Sublease income (3)	(663,242)
Total lease cost	$ 5,323,918
Other Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 5,567,761
Operating cash flows from finance leases	9,001
Financing cash flows from finance leases	95,931
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$ 16,544,406
Finance leases	252,763
Weighted-average remaining lease term (in years)	
Finance leases	3.23
Operating leases	4.67
Weighted-average discount rate	
Finance leases	5.47%
Operating leases	5.06%

(1) Included in Depreciation on property and equipment on the consolidated statements of earnings

(2) Included in Interest expense on the consolidated statements of earnings

(3) Included in Rent and rent related expenses on the consolidated statements of earnings

(4) Includes leases with a term of 12 months or less

24) Leases (Continued)

The following table presents the maturity analysis of the Company's lease liabilities.

	Finance Leases	Operating Leases
Lease payments due in:		
2020	$ 62,756	$ 4,241,547
2021	45,086	2,932,404
2022	32,646	1,780,183
2023	25,408	1,383,538
2024	2,542	1,061,520
Thereafter	-	2,919,074
Total undiscounted lease payments	168,438	14,318,266
Less: Discount on cash flows	(14,999)	(2,912,290)
Present value of lease liabilities	$ 153,439	$ 11,405,976

The following table presents the Company's right-of-use assets and lease liabilities for the period presented:

	Balance Sheet Location	Year Ended December 31 2019
Operating Leases		
Right-of-use assets	Other assets	$ 11,267,247
Lease liabilities	Other liabilities and accrued expenses	$ 11,405,976
Finance Leases		
Right-of-use assets		$ 248,565
Accumulated amortization		(98,351)
Right-of-use assets, net	Property and equipment, net	$ 150,214
Lease liabilities	Bank and other loans payable	$ 153,439

The Company is also a lessor and has operating lease agreements with various tenants that lease its commercial and residential properties. See Note 2 for information about the Company's real estate held for investment.

25) Quarterly Financial Data (Unaudited)

	2019 Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 61,493,835	$ 68,445,182	$ 75,379,659	$ 77,742,254
Benefits and expenses	59,061,676	63,821,339	70,619,837	75,614,143
Earnings before income taxes	2,432,159	4,623,843	4,759,822	2,128,111
Income tax expense	(501,841)	(1,143,789)	(1,142,408)	(262,378)
Net earnings	1,930,318	3,480,054	3,617,414	1,865,733
Net earnings per common share (1)	$0.11	$0.19	$0.20	$0.10
Net earnings per common share assuming dilution (1)	$0.11	$0.19	$0.20	$0.10

	2018 Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 82,076,109	$ 68,865,126	$ 67,223,093	$ 61,454,399
Benefits and expenses	60,888,928	64,702,895	65,011,295	62,835,219
Earnings before income taxes	21,187,181	4,162,231	2,211,798	(1,380,820)
Income tax expense	(4,261,258)	(924,014)	(198,052)	889,013
Net earnings	16,925,923	3,238,217	2,013,746	(491,807)
Net earnings per common share (1)	$0.95	$0.18	$0.11	($0.03)
Net earnings per common share assuming dilution (1)	$0.94	$0.18	$0.11	($0.03)

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

26) Subsequent Events

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods. Further, these uncertainties have the potential to negatively affect the risk of credit default for the issuers of the Company's debt securities and individual borrowers with mortgage loans held by the Company.

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 27, 2019, the closing stock price of the Class A common stock was $3.77 per share. The following were the high and low market closing stock prices for the Class A common stock by quarter as reported by NASDAQ since January 1, 2018:

	Price Range (1)	
	High	Low
Period (Calendar Year)		
2018		
First Quarter	$4.90	$3.92
Second Quarter	$4.99	$4.67
Third Quarter	$5.03	$4.58
Fourth Quarter	$5.35	$4.68
2019		
First Quarter	$5.34	$4.50
Second Quarter	$5.38	$4.53
Third Quarter	$5.20	$4.55
Fourth Quarter	$5.74	$4.58
2020		
First Quarter (through March 27, 2020)	$6.25	$3.77

(1) Stock prices have been adjusted retroactively for the effect of annual 5% stock dividends.

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

The Company has never paid a cash dividend on its Class A or Class C common stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C common stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position 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 2019

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

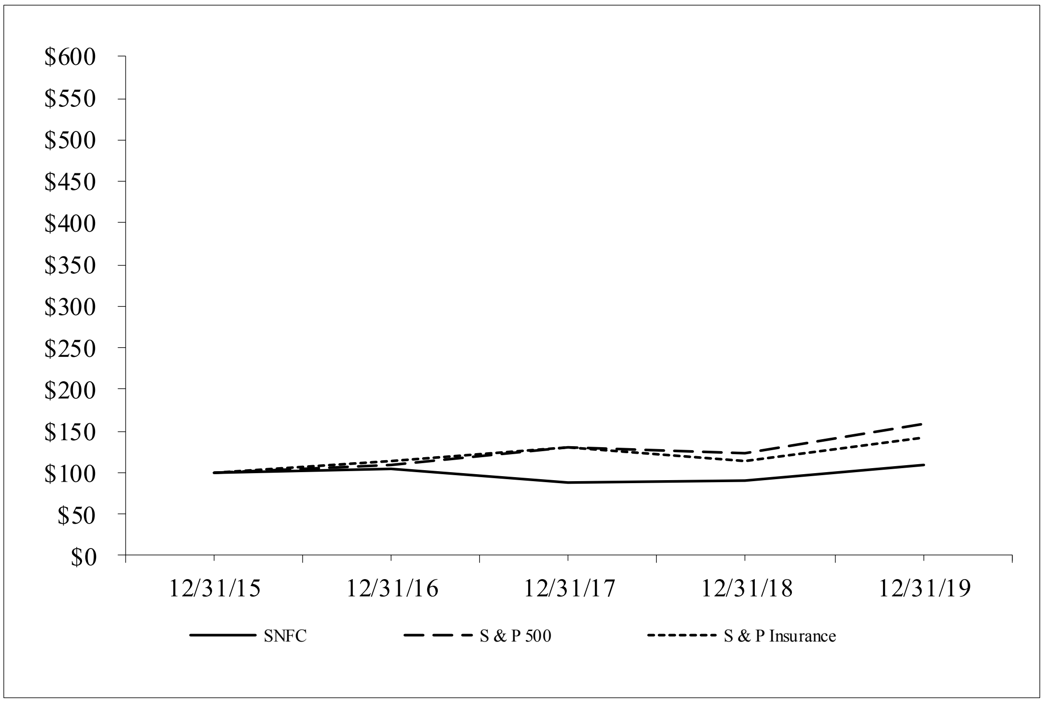
On September 7, 2018, the Board of Directors of the Company approved a Stock Repurchase Plan that authorized the repurchase of 300,000 shares of the Company's Class A Common Stock in the open market. The repurchased shares of Class A common stock will be held as treasury shares to be used as the Company's employer matching contribution to the Employee 401(k) Retirement Savings Plan. The following table shows the Company's repurchase activity of its common stock during the three months ended December 31, 2019 under its Stock Repurchase Plan.

Period	(a) Total Number of Class A Shares Purchased	(b) Average Price Paid per Class A Share	(c) Total Number of Class A Shares Purchased as Part of Publicly Announced Plan or Program	(d) Maximum Number of Class A Shares that May Yet Be Purchased Under the Plan or Program
10/1/2019-10/31/2019	8,790	$ 5.01	-	182,007
11/1/2019-11/30/2019	10,000	$ 5.36	-	172,007
12/1/2019-12/31/2019	10,000	$ 5.73	-	162,007
Total	28,790	$ 5.41	-	162,007

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, 2015 through December 31, 2019. 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, 2015 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.



	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
SNFC	100	104	88	91	109
S & P 500	100	110	131	123	158
S & P Insurance	100	115	131	113	143

The stock performance 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, 2019, there were 2,647 record holders of Class A common stock and 64 record holders of Class C common stock.

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