

SECURITY NATIONAL FINANCIAL CORP

Form 10-K

March 31, 2015

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

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014, or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _____ to _____

Commission file number 000-09341

SECURITY NATIONAL FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

UTAH 87-0345941
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)
organization)

5300 South 360 West, Suite 250 Salt Lake City, Utah 84123
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (801) 264-1060

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934: None

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:

Title of each class	Name of each exchange on which registered
Class A common stock, \$2.00 Par Value	Nasdaq National Market
Class C common stock, \$2.00 Par Value	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the
Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such
reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Nonaccelerated filer ☐ Smaller reporting company ☒

(Do not check if a smaller reporting company)

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

As of June 30, 2014, the aggregate market value of the registrant's Class A common stock held by non-affiliates of the registrant was \$18,028,000 based on the \$4.07 closing sale price of the Class A common stock as reported on The Nasdaq National Market.

As of March 25, 2015, there were outstanding 12,460,013 shares of Class A common stock, \$2.00 par value per share, and 1,393,538 shares of Class C common stock, \$2.00 par value per share.

Documents Incorporated by Reference

None.

Security National Financial Corporation
Form 10-K
For the Fiscal Year Ended December 31, 2014

TABLE OF CONTENTS

	Page
Part I	
Item 1. Business	3
Item 2. Properties	11
Item 3. Legal Proceedings	14
Item 4. Mine Safety Disclosures	17
Part II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	17
Item 6. Selected Financial Data	19
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	36
Item 8. Financial Statements and Supplementary Data	36
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	108
Item 9A. Controls and Procedures	108
Item 9B. Other Information	108
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	110
Item 11. Executive Compensation	115
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	125
Item 13. Certain Relationships and Related Transactions and Director Independence	127

Item 14.	Principal Accounting Fees and Services	127
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Part IV

Item 15.	Exhibits and Financial Statement Schedules	128
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Item 1. Business

Security National Financial Corporation (the “Company”) operates in three main business segments: life insurance, cemetery and mortuary, and mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products, and accident and health insurance. These products are marketed in 38 states through a commissioned sales force of independent licensed insurance agents who may also sell insurance products of other companies. The cemetery and mortuary segment of the Company consists of seven mortuaries and five cemeteries in the state of Utah and one cemetery in the state of California. The Company also engages in pre-need selling of funeral, cemetery, mortuary and cremation services through its Utah and California operations. Many of the insurance agents also sell pre-need funeral, cemetery and cremation services. The mortgage loan segment originates and underwrites or otherwise purchases residential and commercial loans for new construction, existing homes and real estate projects. The mortgage loan segment operates through 123 wholesale and retail offices in 23 states, and is an approved mortgage lender in several other states.

The Company’s design and structure are that each business segment is related to the other business segments and contributes to the profitability of the other segments. Because of the Company’s cemetery and mortuary operations in Utah and California, the Company enjoys a level of public awareness that assists in the sales and marketing of insurance and pre-need cemetery and funeral products. The Company’s insurance subsidiaries invest their assets (including, in part, pre-paid funeral products and services) in investments authorized by the respective insurance departments of their states of domicile. The Company also pursues growth through acquisitions. The Company’s acquisition business strategy is based on reducing the overhead cost of the acquired company by utilizing the Company’s existing personnel, management, and technology while still providing quality service to customers and policyholders.

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

The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies. The cemetery and mortuary companies that the Company has acquired and still owns Holladay Memorial Park, Inc. (1991), Cottonwood Mortuary, Inc. (1991) and Deseret Memorial, Inc. (1991).

In 1993, the Company formed SecurityNational Mortgage Company (“SecurityNational Mortgage”) to originate and refinance residential mortgage loans. In 2012, the Company formed Green Street Mortgage Services, Inc. (“Green Street Mortgage”) to originate and refinance residential mortgage loans.

See Note 14 of the Notes to Consolidated Financial Statements for additional information regarding business segments of the Company.

Life Insurance

Products

The Company, through Security National Life, issues and distributes selected lines of life insurance and annuities. The Company's life insurance business includes funeral plans and interest-sensitive life insurance, as well as other traditional life, accident and health insurance products. The Company places specific marketing emphasis on funeral plans through pre-need planning. The Company's other insurance subsidiaries, Memorial Insurance Company of America ("Memorial Insurance Company"), Southern Security Life Insurance Company of Mississippi ("Southern Security") and Trans-Western Life Insurance Company ("Trans-Western"), service and maintain policies that were purchased prior to their acquisition by Security National Life.

A funeral plan is a small face value life insurance policy that generally has face coverage of up to \$25,000. The Company believes that funeral plans represent a marketing niche that has lower competition because most insurance companies do not offer similar coverage. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of a person's death. On a per thousand dollar cost of insurance basis, these policies can be more expensive to the policyholder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy administration to be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

Markets and Distribution

The Company is licensed to sell insurance in 38 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific niche markets. The Company's funeral plan policies are sold primarily to persons who range in age from 45 to 85 and have low to moderate income.

A majority of the Company's funeral plan premiums come from the states of Arkansas, California, Georgia, Louisiana, Mississippi, Missouri, Texas and Utah.

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

In some instances, funeral plan insurance is marketed in conjunction with the Company's cemetery and mortuary sales force. When it is marketed by that group, the beneficiary is usually the Company's cemeteries and mortuaries. Thus, death benefits that become payable under the policy are paid to the Company's cemetery and mortuary subsidiaries to the extent of services performed and products purchased.

In marketing funeral plan insurance, the Company also seeks and obtains third-party endorsements from other cemeteries and mortuaries within its marketing areas. Typically, these cemeteries and mortuaries will provide letters of endorsement and may share in mailing and other lead-generating costs since these businesses are usually made the beneficiary of the policy. The following table summarizes the life insurance business for the five years ended December 31, 2014:

	2014	2013	2012	2011	2010
Life Insurance Policy/Cert Count as of December 31	497,933	498,228	502,978	414,411	398,774
Insurance in force as of December 31 (omitted 000)	\$ 2,763,496	\$ 2,828,470	\$ 2,913,419	(2) \$ 2,969,648	(1) \$ 3,003,622
Premiums Collected (omitted 000)	\$ 52,418	\$ 50,009	\$ 48,168	\$ 47,982	(1) \$ 38,579

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

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

Underwriting

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

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

When underwriting life insurance, the Company will sometimes issue policies with higher premium rates for substandard risks.

The Company's funeral plan insurance is written on a simplified medical application with underwriting requirements being a completed application, a phone inspection on the applicant, and a Medical Information Bureau inquiry. There are several underwriting classes in which an applicant can be placed.

Annuities

Products

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

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

Markets and Distribution

The general market for the Company's annuities is middle to older age individuals who wish to save or invest their money in a tax-deferred environment. The major source of annuity considerations comes from direct agents. Annuities are also sold in conjunction with other insurance sales. If an individual does not qualify for a funeral plan due to health considerations, the agent will often sell that individual an annuity to fund those final expenses.

The following table summarizes the annuity business for the five years ended December 31, 2014:

	2014	2013	2012	2011	2010
Annuities Policy/Cert Count as of December 31	12,701	12,703	12,320	11,313 (1)	12,344
Deposits Collected (omitted 000)	\$ 8,010	\$ 7,281	\$ 6,777	\$ 5,757 (1)	\$ 6,166

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

Accident and Health

Products

With the acquisition of Capital Investors in 1994, the Company acquired a block of accident and health policies that pay limited benefits to policyholders. The Company currently offers low-cost comprehensive diver's accident policies that provide worldwide coverage for medical expense reimbursement in the event of diving accidents.

Markets and Distribution

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

The following table summarizes the accident and health insurance business for the five years ended December 31, 2014:

	2014	2013	2012	2011	2010
Accident and Health Policy/Cert Count as of December 31	5,838	6,451	7,291	8,268	9,269
P r e m i u m s Collected (omitted 000)	\$ 133	\$ 144	\$ 158	\$ 175	\$ 203

Reinsurance

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

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

The Company's policy is to retain no more than \$100,000 of ordinary insurance per insured life, with the excess risk being reinsured. The total amount of life insurance reinsured by other companies as of December 31, 2014 was \$67,761,000, which represents approximately 2.5% of the Company's life insurance in force on that date.

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

Investments

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

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

Cemetery and Mortuary

Products

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

Markets and Distribution

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

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

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

Mortgage Loans

Products

The Company, through its wholly owned subsidiaries, SecurityNational Mortgage Company and Green Street Mortgage Services, Inc., is active in the residential real estate market. Both mortgage subsidiaries are approved and regulated by the U.S. Department of Housing and Urban Development (HUD), the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and other secondary market investors, to originate a variety of residential mortgage loan products, which are subsequently sold to investors. The

Company uses internal and external funding sources to fund mortgage loans.

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

Markets and Distribution

The Company's residential mortgage lending services are marketed primarily to real estate brokers and mortgage originators. The Company has a strong retail origination presence in the Utah, Florida, Nevada, and Texas markets in addition to three wholesale branch offices located in Florida, Texas and Utah, with sales representatives in these and other states. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding mortgage loans.

Recent Acquisitions and Other Business Activities

Reinsurance Agreement with American Republic Insurance Company

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

Reinsurance Agreement with LJA Insurance Company

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

Sale of Paradise Chapel Funeral Home, Inc.

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

Acquisition of American Funeral Financial

On June 4, 2014, the Company, through its wholly owned subsidiary, SNFC Subsidiary, LLC, completed a purchase transaction with American Funeral Financial, LLC, a South Carolina limited liability company, and Hypershop, LLC, a North Carolina limited liability company and sole owner of all the limited liability company interests of American Funeral Financial, to purchase all of the outstanding limited liability company interests, or membership units, of American Funeral Financial. American Funeral Financial is engaged in the operation of a factoring business with the principal purpose to provide funding for funeral homes and mortuaries. For the year ended December 31, 2013, American Funeral Financial had revenues of \$5,026,000 with a net income of \$164,000. As of December 31, 2013, the total assets of American Funeral Financial were \$19,153,000 and total equity was \$1,680,000.

Under the terms of the transaction, as set forth in the Purchase Agreement dated June 4, 2014, among the Company, SNFC Subsidiary, American Funeral Financial and Hypershop, the Company paid Hypershop purchase consideration equal to (i) \$3,000,000 in cash, of which \$175,000 was deposited into an interest bearing escrow account to be held for a period of twelve months from the closing date to pay off the indebtedness and other liabilities of American Funeral Financial, plus (ii) \$12,011,183, representing the amount of the good standing receivables of American

Funeral Financial, plus (iii) earn-out payments equal to .0042 of the aggregate amount of life insurance assignments funded by American Funeral Financial during the three year period following the closing date of the transaction. This earn-out liability was estimated to be \$1,368,000. The purchase consideration was to be used to pay off the indebtedness that American Funeral Financial owed to Security Finance Corporation of Spartanburg, as well as to pay off all other indebtedness and liabilities of American Funeral Financial.

The good standing receivables of American Funeral Financial are defined as its assignment receivables outstanding for less than 120 days from the closing date. Within 15 business days after the expiration of the 120-day period following the closing date, the Company agrees to provide Hypershop with reasonable supporting detail of the amount of any assignment receivables included in the good standing receivables that were not collected in full by the Company during such 120-day period, and which of the uncollected good standing receivables that the Company elects to receive payment from Hypershop. Thus, under the Purchase Agreement, the Company is entitled to payment from Hypershop for any uncollected good standing receivables in which the Company elects to receive payment.

The uncollected good standing receivables payment is to be paid to the Company within 15 days from Hypershop's receipt of the uncollected receivable notice from the Company through reduction of funds in the escrow account until the escrow amount has been reduced to zero or fully disbursed, and if the escrow amount is insufficient, then payment is to be made by offsetting or crediting the amounts owed to the Company from the earn-out payments owed to Hypershop until the Company has received full payment of the amount equal to the uncollected receivables payment. The Company, SNFC Subsidiary, Hypershop and American Funeral agree that if the escrow amount and the offsets against earn-out payments are insufficient to pay the amount of the uncollected good standing receivables and the outstanding indebtedness and other liabilities of American Funeral Financial as of the closing date, then the Company has no further recourse against Hypershop, and Hypershop has no further obligation or liability to the Company.

During the period between the closing date and 270 days after the closing date, the Company is required to use commercially reasonable efforts to collect all outstanding receivables, including assignment receivables outstanding for over 120 days from the closing date. In the event that the Company collects any assignment receivables that are outstanding for more than 120 days, the Company agrees to pay Hypershop the amount of such receivables within 15 business days after the receipt of such receivables. If the Company is unable to collect all the outstanding receivables that are more than 120 days from the closing date, the Company agrees to transfer to Hypershop all right, title and interest to such receivables.

With regard to earn-out payments, the Company agrees to provide earn-out payments to Hypershop on a monthly basis over a three year period in the amount equal to the life insurance assignments that American Funeral Financial has funded during the applicable monthly calculation period multiplied by the earn-out multiple of .0042. In the event any customer of American Funeral Financial has also been a customer of C & J Financial, LLC, a wholly owned subsidiary of the Company, during the twelve month period prior to the closing date, the earn-out multiple would be proportionately reduced by the funding amount provided by American Funeral Financial for such customer during the twelve month period prior to the closing date as compared to the funding amount provided by C & J Financial for such customer during the same twelve month period.

With regard to the Escrow Account, the Company and Hypershop entered into an agreement on January 21, 2015 to memorialize how the funds in the Escrow Account were to be distributed under the terms of the Purchase Agreement. The Company and Hypershop each agreed that the \$175,000 in funds which were deposited into the Escrow Account at the closing of the purchase transaction pursuant to the terms of the Purchase Agreement were allocated between said parties as follows: The Company - \$66,221 and Hypershop - \$108,779. The Company and Hypershop also agreed to distribute the accrued interest on the funds that were deposited into the Escrow Account to Hypershop. The Escrow Agent distributed the funds from the Escrow Account per this agreement.

Reinsurance Terminated with North America Life Insurance Company

On December 1, 2013, in accordance with the terms of the Coinsurance Agreement, Security National Life, through TransWestern Life Insurance Company ("Trans-Western Life"), recaptured additional policies of Trans-Western Life from North American Life Insurance Company ("North American Life"). On December 10, 2013, pursuant to the Coinsurance Agreement, North America Life paid \$2,500,000, less a ceding commission of \$34,000 to Security National Life. On February 13, 2014, in accordance with the terms of the Coinsurance Agreement, Security National Life, through Trans Western Life, recaptured the remaining policies of Trans-Western Life from North American Life. Pursuant to the Coinsurance Agreement, North America Life paid \$4,684,000 less a ceding commission of \$57,000 to Security National Life, and the Reinsurance Agreement between Trans Western Life and North America Life was terminated.

Reorganization of Security National Financial Corporation and Certain Subsidiaries

On May 8, 2013, the Company completed a reorganization transaction involving several of its wholly owned subsidiaries. Under the terms of the Agreement and Plan of Reorganization, the Company contributed all its shares of common stock of Select Appraisal Management, Inc. ("Select Appraisal Management"), which had been a wholly owned subsidiary of the Company, to Green Street Mortgage, a wholly owned subsidiary of the Company. The purpose of the transaction was to develop the appraisal business of Select Appraisal Management through Green Street Mortgage, which would be responsible for the development, management and oversight of the appraisal business of Select Appraisal Management. SecurityNational Mortgage agreed, as part of the reorganization, to transfer to Green Street Mortgage, in the form of a dividend, the appraisal management contracts and related operations that it owned.

Moreover, as part of the reorganization, SecurityNational Mortgage agreed to assign to the Company, in the form of a dividend beginning January 1, 2013, the net servicing income from the mortgage servicing rights that it retains from the mortgage loans that it originates and sells on a servicing retained basis to third party investors in connection with its mortgage loan operations. Pursuant to the reorganization, SecurityNational Mortgage also agreed to pay the Company on a monthly basis the net income from its mortgage servicing operations, provided such payments do not violate the financial covenants that SecurityNational Mortgage is required to maintain with its warehouse mortgage lenders.

Finally, the Company agreed as part of the reorganization to contribute all of its shares of stock of Dry Creek Property Development, Inc. ("Dry Creek Development"), which had been a wholly owned subsidiary of the Company, to Security National Life Insurance Company ("Security National Life"). The purpose of this transaction was to help facilitate the future funding and development of approximately 13 acres of land that the Company owns in Sandy, Utah.

Regulation

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

The Company's life insurance subsidiaries are currently subject to regulation in Utah, Arkansas, Mississippi and Texas under insurance holding company legislation, and other states where applicable. Generally, intercompany transfers of assets and dividend payments from insurance subsidiaries are subject to prior notice of approval from the state insurance department, if they are deemed "extraordinary" under these statutes. The insurance subsidiaries are required, under state insurance laws, to file detailed annual reports with the supervisory agencies in each of the states in which they do business. Their business and accounts are also subject to examination by these agencies. The Texas Department of Banking also audits Pre-Need Insurance policies that are issued in the state of Texas. Pre-need policies are life and annuity products sold as the funding mechanism for funeral plans through funeral homes by security National agents. The Company is required to send the Texas Department of Banking an annual report that summarizes the number of policies in force and the face amount or death benefit for each policy. This annual report also indicates the number of new policies issued for that year, all death claims paid that year, and all premiums received.

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

The Company's mortgage subsidiaries are subject to the rules and regulations of the U.S. Department of Housing and Urban Development (HUD), and to various state licensing acts and regulations and the Consumer Finance Protection Bureau (CFPB). These regulations, among other things, specify minimum capital requirements, procedures for loan origination and underwriting, licensing of brokers and loan officers, quality review audits and the fees that can be charged to borrowers. Each year, the Company is required to have an audit by an independent registered public accounting firm to verify compliance under some of these regulations. In addition to the government regulations, the Company must meet loan requirements, and underwriting guidelines of various investors who purchase the loans.

Income Taxes

The Company's insurance subsidiary, Security National Life, is taxed under the Life Insurance Company Tax Act of 1984. Under the act, life insurance companies are taxed at standard corporate rates on life insurance company taxable income. Life insurance company taxable income is gross income less general business deductions, reserves for future policyholder benefits (with modifications), and a small life insurance company deduction (up to 60% of life insurance company taxable income). The Company may be subject to the corporate Alternative Minimum Tax (AMT). The exposure to AMT is primarily a result of the small life insurance company deduction. Also, under the Tax Reform Act of 1986, distributions in excess of stockholders' surplus account or a significant decrease in life reserves will result in taxable income.

Security National Life last received the benefit of the small life insurance company deduction in 2011. In order to qualify for the small company deduction, the combined tax assets of the Company must be less than \$500,000,000 and the taxable income of the life insurance companies must be less than \$3,000,000 on a tax accounting basis. To the extent that the net income limitation is exceeded, the small life insurance company deduction is phased out over the next \$12,000,000 of life insurance company taxable income. The combined tax assets of the Company exceeded \$500,000,000 as of December 31, 2014.

Since 1990 Security National Life has computed its life insurance taxable income after establishing a provision representing a portion of the costs of acquisition of such life insurance business. The effect of the provision is that a certain percentage of the Company's premium income is characterized as deferred expenses and recognized over a five to ten year period.

The Company's non-life insurance company subsidiaries are taxed in general under the regular corporate tax provisions. The following subsidiaries are regulated as life insurance companies but do not meet the Internal Revenue Code definition of a life insurance company so are taxed as insurance companies other than life insurance companies: Memorial Insurance Company, Southern Security and Trans-Western. For taxable years beginning January 1, 1987, the Company may be subject to the Corporate Alternative Minimum Tax under the Tax Reform Act of 1986.

Competition

The life insurance industry is highly competitive. There are approximately 2,000 legal reserve life insurance companies in business in the United States. These insurance companies differentiate themselves through marketing techniques, product features, price and customer service. The Company's insurance subsidiaries compete with a large number of insurance companies, many of which have greater financial resources, a longer business history, and more diversified line of insurance products than the Company. In addition, such companies generally have a larger sales force. Further, the Company competes with mutual insurance companies which may have a competitive advantage because all profits accrue to policyholders. Because the Company is smaller by industry standards and lacks broad diversification of risk, it may be more vulnerable to losses than larger, better-established companies. The Company believes that its policies and rates for the markets it serves are generally competitive.

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

The mortgage industry is highly competitive with a large number of mortgage companies and banks in the same geographic area in which the Company is operating. The mortgage industry in general is sensitive to changes in interest rates and the refinancing market is particularly vulnerable to changes in interest rates.

Employees

As of December 31, 2014, the Company had 1,090 full-time and 390 part-time employees.

Item 2. Properties

The following table sets forth the location of the Company's office facilities and certain other information relating to these properties.

Street	City	State	Function	Owned Leased	Approximate Square Footage	Lease Amount	Expiration
5300 South 360 West	Salt Lake City	UT	Corporate Headquarters	Owned	30,317	\$ 485,071 / yr	month to month
5201 Green Street	Salt Lake City	UT	Mortgage Operations	Owned	10,990	\$ 13,252 / mo	month to month
3935 I-55 South, Frontage Road	Jackson	MS	Insurance Operations	Owned	12,000	\$ 84,000 / yr	month to month
5239 Greenpine Drive	Murray	UT	Funeral Service Operations	Leased	1,642	\$ 1,020 / mo	month to month
497-A Sutton Bridge Road	Rainbow City	AL	Fast Funding Operations	Leased	5,500	\$ 33,600 / yr	6/30/2018
2567 Mall Road	Florence	AL	Mortgage Sales	Sub-Leased	1,600	\$ 750 / mo	month to month
5701 Talavi Blvd. #155	Glendale	AZ	Mortgage Sales	Leased	2,214	\$ 4,358 / mo	5/6/2015
2345 E. Thomas Road, Suite 400	Phoenix	AZ	Mortgage Sales	Leased	3,762	\$ 4,232 / mo	month to month
1701 N. Scottsdale Rd. Suite 125	Scottsdale	AZ	Mortgage Sales	Leased	3,140	\$ 6,542 / mo	month to month
900 East Hamilton Ave	Campbell	CA	Mortgage Sales	Leased	182	\$ 1,409 / mo	month to month
1900 Powell St #600-6011	Emeryville	CA	Mortgage Sales	Leased	100	\$ 1,300 / mo	10/31/2015
8505 Madison Avenue, #140	Fair Oaks	CA	Mortgage Sales	Leased	1,200	\$ 2,160 / mo	11/30/2016
3643 East 4th Street, Suite A	Long Beach	CA	Mortgage Sales	Leased	1,250	\$ 2,060 / mo	month to month
765 The City Drive #360	Orange	CA	Mortgage Sales	Leased	3,886	\$ 7,772 / mo	8/31/2017
3005 Douglas Boulevard #100	Roseville	CA	Mortgage Sales	Leased	3,722	\$ 6,997 / mo	4/14/2018
421 S. Cataract	San Dimas	CA	Mortgage Sales	Leased	6,200	\$ 6,510 / yr	month to month
817 N Broadway Ste E	Santa Ana	CA	Mortgage Sales	Leased	550	\$ 1,000 / mo	4/15/2015
7100 East Bellview Avenue #301	Greenwood Village	CO	Mortgage Sales	Leased	2,549	\$ 3,717 / mo	10/31/2016
7777 Glades Road, Suite #401A	Boca Raton	FL	Mortgage Sales	Leased	2,762	\$ 7,875 / mo	month to month
8191 College Parkway Suite 201	Ft Myers	FL	Mortgage Sales	Leased	1,704	\$ 1,502 / mo	10/31/2015

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4575 Via Royal, #100	Ft Myers	FL	Mortgage Sales	Sub-Leased	2,631	\$ 500	/	mo	month to month
1145 TownPark Avenue # 2215	Lake Mary	FL	Mortgage Sales	Leased	7,425	\$ 13,922	/	mo	3/1/2020
7575 Dr. Phillips Blvd, Suite 270	Orlando	FL	Mortgage Sales	Leased	1,317	\$ 2,571	/	mo	3/31/2018
11256 Boyette Rd	Riverview	FL	Mortgage Sales	Leased	120	\$ 500	/	mo	month to month
200 9th Avenue N, Ste 200	Safety Harbor,	FL	Mortgage Sales	Leased	3,591	\$ 85,266	/	yr	5/31/2015
15351 Amberly Drive	Tampa	FL	Mortgage Sales	Leased	153	\$ 500	/	mo	month to month
14502 N Dale Mabry Highway	Tampa	FL	Mortgage Sales	Leased	250	\$ 550		mo	3/31/2015
2445 Moon Rd#3	Grayson	GA	Mortgage Sales	Leased	1,800	\$ 2,365	/	mo	month to month
841 Bishop Street #924	Honolulu	HI	Mortgage Sales	Leased	740	\$ 2,263	/	mo	3/31/2015
733 Bishop Street #1880	Honolulu	HI	Mortgage Sales	Leased	2,812	\$ 8,267	/	mo	month to month
28-2856 Onomea Place	Pepeekeo	HI	Mortgage Sales	Leased	120	\$ 100	/	mo	month to month
3438 South 15 East, #100	Idaho Falls	ID	Mortgage Sales	Leased	1,401	\$ 1,285	/	mo	1/31/2015
3999 E Overland Road	Meridian	ID	Mortgage Sales	Leased	1,266	\$ 24,054	/	yr	11/30/2015
7227 W. Madison Avenue	Forest Park	IL	Mortgage Sales	Leased	1,800	\$ 24,000	/	yr	month to month
6900 Houston Rd. #21 & 22	Florence	KY	Mortgage Sales	Leased	1,700	\$ 1,900	/	mo	month to month
12910 Shelbyville RD	Louisville	KY	Mortgage Sales	Leased	100	\$ 350	/	mo	month to month
910 Pierremont #410	Shreveport	LA	Mortgage Sales	Leased	174	\$ 790	/	mo	month to month
1 Exchange Place	Worcester	MA	Mortgage Sales	Leased	475	\$ 700	/	mo	8/31/2016
636 Trade Center Blvd	Chesterfield	MO	Mortgage Sales	Leased	1,800	\$ 2,403	/	mo	2/28/2017
7802 Menaul Blvd NE	Albuquerque	NM	Mortgage Sales	Leased	3,780	\$ 3,958	/	mo	month to month
2370 Corporate Circle, Suite 200	Henderson	NV	Mortgage Sales	Leased	7,741	\$ 169,063	/	yr	12/1/2017
9330 W. Sahara Ave #270	Las Vegas	NV	Mortgage Sales	Leased	2,681	\$ 3,887	/	mo	7/1/2015
6130 Elton Avenue, #223	Las Vegas	NV	Mortgage Sales	Leased	125	\$ 400	/	mo	3/31/2015
3275 N Fort Apache Rd, Ste #150	Las Vegas	NV	Mortgage Sales	Leased	2,448	\$ 2,448	/	mo	7/15/2015
3285 North Fort Apache Road	Las Vegas	NV	Mortgage Sales	Leased	1,000	\$ 11,500	/	mo	month to month
	Las Vegas	NV		Leased	2,802	\$ 2,662	/	mo	

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6540 South Pecos Road, Building A, Suite 104 4000 S. Eastern Avenue, Suite 310	Las Vegas	NV	Mortgage Sales	Leased	2,750	\$ 52,800	/	yr	12/31/2019	month to month
3500 Lakeside Court #207	Reno	NV	Mortgage Sales	Leased	552	\$ 550	/	mo	month to month	
3743 Dixie Hwy, Suite B	Franklin	OH	Mortgage Sales	Leased	500	\$ 400	/	mo	11/30/2015	
2468 W New Orleans	Brokern Arrow	OK	Mortgage Sales	Leased	1,683	\$ 1,896	/	mo	12/31/2019	
3050 SE Division Street, Suite 245 (D Street Village)	Portland	OR	Mortgage Sales	Leased	1,078	\$ 2,156	/	mo	10/31/2016	
3311 NE MLK Jr Blvd # 203	Portland	OR	Mortgage Sales	Leased	1,400	\$ 675	/	mo	month to month	
10610 SE Washington	Portland	OR	Mortgage Sales	Leased	506	\$ 1,000	/	mo	month to month	
108 Central Avenue Ste 1	Goose Creek	SC	Mortgage Sales	Leased	1,071	\$ 650	/	mo	month to month	
11002 Kingston Pike # 204	Knoxville	TN	Mortgage Sales	Leased	1,093	\$ 1,300	/	mo	5/31/2017	
9737 Great Hills Trail, Suite 150	Austin	TX	Mortgage Sales	Leased	8,174	\$ 53,536	/	mo	2/28/2017	
12515-7 Research Blvd.	Austin	TX	Mortgage Sales	Leased	2,799	\$ 4,082	/	mo	12/31/2018	
13413 Galleria Circie, #120	Austin	TX	Mortgage Sales	Sub-Leased	400	\$ 1,200	/	mo	6/30/2015	
13413 Galleria Circie, #Q-180	Austin	TX	Mortgage Sales	Leased	1,851	\$ 3,085	/	mo	12/31/2018	
8700 Manchaca Road #603	Austin	TX	Mortgage Sales	Sub-Leased	1,000	\$ 1,400	/	mo	month to month	
1213 East Alton Gloor Blvd Suite H	Brownsville	TX	Mortgage Sales	Leased	1,000	\$ 1,100	/	mo	9/30/2015	
12201 Merit Drive, Suite 400	Dallas	TX	Mortgage Sales	Leased	3,047	\$ 54,846	/	yr	7/31/2016	

Item 2. Properties (Continued)

Street	City	State	Function	Owned Leased	Approximate Square Footage	Lease Amount	Expiration
310 E. Rio Grande Street	Eagle Pass	TX	Mortgage Sales	Leased	150	\$ 250 / mo	month to month
11601 Pellicano Suite A-14&15	El Paso	TX	Mortgage Sales	Sub-Leased	2,160	\$ 32,400 / yr	month to month
5780 North Mesa Street	El Paso	TX	Mortgage Sales	Leased	1,532	\$ 2,048 / mo	6/30/2015
4936 Collinwood Suite 110	Fort Worth	TX	Mortgage Sales	Leased	1,900	\$ 34,200 / yr	12/31/2016
30417 5th Street #B	Fulshear	TX	Mortgage Sales	Sub-Leased	1,000	\$ 550 / mo	month to month
116 West 8th Street, Unit 103	Georgetown	TX	Mortgage Sales	Leased	135	\$ 325 / mo	2/28/2015
2825 Wilcrest Drive, Ste 220	Houston	TX	Mortgage Sales	Leased	120	\$ 400 / mo	month to month
17000 El Camino Real #103D	Houston	TX	Mortgage Sales	Leased	750	\$ 750 / mo	month to month
17000 El Camino Real #103C	Houston	TX	Mortgage Sales	Leased	460	\$ 588 / mo	10/31/2015
17347 Village Green Drive-102A	Houston	TX	Mortgage Sales	Sub-Leased	3,000	\$ 6,445 / mo	month to month
10613 West Sam Houston Parkway North, STE 175	Houston	TX	Mortgage Sales	Leased	4,572	\$ 11,049 / mo	12/31/2018
7322 Southwest Freeway 1818	Houston	TX	Mortgage Sales	Sub-Leased	1,250	\$ 1,875 / mo	month to month
1848 Norwood Plaza #205	Hurst	TX	Mortgage Sales	Sub-Leased	455	\$ 361 / mo	month to month
24668 Kingsland Blvd	Katy	TX	Mortgage Sales	Leased	150	\$ 400 / mo	month to month
2877 Commercial Center Blvd	Katy	TX	Mortgage Sales	Leased	250	\$ 2,000 / mo	month to month
1202 Lakeway Drive, Suite 12	Lakeway	TX	Mortgage Sales	Leased	1,192	\$ 2,000 / mo	1/3/2017
7913 McPherson, #B	Laredo	TX	Mortgage Sales	Leased	1,200	\$ 1,400 / mo	5/31/2016
3027 Marina Bay Dr #110	League City	TX	Mortgage Sales	Leased	180	\$ 740 / mo	month to month
125 North Main Street	Mansfield	TX	Mortgage Sales	Sub-Leased	300	\$ 200 / mo	month to month
802 E. Expressway 83, #A	Pharr	TX	Mortgage Sales	Sub-Leased	1,000	\$ 1,100 / mo	month to month
811 S Central Expressway #550	Richardson	TX	Mortgage Sales	Sub-Leased	1,080	\$ 1,053 / mo	month to month
1 Chisholm Trail Road, Suite 210	Round Rock	TX	Mortgage Sales	Leased	3,402	\$ 3,331 / mo	10/31/2017

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2526 North Loop 1604 West, Suite 210	San Antonio	TX	Mortgage Sales	Leased	4,959	\$ 10,775	/	mo	8/31/2016
9901 I-H10 West #800	San Antonio	TX	Mortgage Sales	Leased	100	\$ 2,620	/	mo	6/30/2015
19901 Southwest Freeway #108	Sugarland	TX	Mortgage Sales	Sub-Leased	500	\$ 500	/	mo	month to month
52 Sugar Creek Center Blvd., #150	Sugarland	TX	Mortgage Sales	Leased	1,788	\$ 3,497	/	mo	12/31/2019
602 S Main St #300	Weatherford	TX	Mortgage Sales	Sub-Leased	1,000	\$ 1,200	/	mo	month to month
8505 Technology Forest Place, #304	Woodlands	TX	Mortgage Sales	Leased	100	\$ 2,600	/	mo	5/30/2018
13997 Minuteman Drive Suite 250	Draper	UT	Mortgage Sales	Leased	3,206	\$ 5,811	/	mo	9/30/2017
13997 Minuteman Drive Suite 100	Draper	UT	Mortgage Sales	Leased	5,492	\$ 9,666	/	mo	9/30/2017
497 South Main	Ephraim	UT	Mortgage Sales	Leased	500	\$ 765	/	mo	9/30/2015
288 SR 248, Suite 2A	Kamas	UT	Mortgage Sales	Leased	1,480	\$ 2,350	/	mo	month to month
1558 N Woodland Park Drive #400	Layton	UT	Mortgage Sales	Leased	1,000	\$ 2,500	/	mo	month to month
6965 South Union Park, Suites #100, #260, #300, #460, #470, & #480	Midvale	UT	Mortgage Sales	Leased	37,226	\$ 74,098	/	mo	2/28/2018
6975 Union Park Avenue STE 420	Midvale	UT	Mortgage Sales	Leased	6,672	\$ 12,500	/	mo	6/30/2019
5201 South Green street	Murray	UT	Mortgage Sales	Leased	10,990	\$ 12,684	/	mo	6/30/2016
1443 West 800 North, Suite 201	Orem	UT	Mortgage Sales	Leased	3,129	\$ 3,781	/	mo	7/31/2015
1245 Deer Valley Drive #3A	Park City	UT	Mortgage Sales	Leased	2,183	\$ 4,548	/	mo	12/31/2017
465 North Main	Richfield	UT	Mortgage Sales	Leased	2,848	\$ 1,600	/	mo	month to month
1864 West 12600 South	Riverton	UT	Mortgage Sales	Leased	277	\$ 6,911	/	yr	month to month
1224 South River Road, Buinding E, Suites E3 & E4	Saint George	UT	Mortgage Sales	Leased	1,900	\$ 1,710	/	mo	4/30/2016
307 West 200 South, Ste 5001	Salt Lake City	UT	Mortgage Sales	Leased	500	\$ 500	/	mo	month to month
5993 S. Redwood Road	Salt Lake City	UT	Mortgage Sales	Leased	2,800	\$ 2,624	/	mo	5/31/2015
9980 S 300 West #201	Sandy	UT	Mortgage Sales	Leased	100	\$ 1,819	/	mo	month to month
9815 South Monroe Street, suite 206	Sandy	UT	Mortgage Sales	Leased	2,819	\$ 5,286	/	mo	5/31/2018
1099 West South Jordan Parkway	South Jordan	UT	Mortgage Sales	Leased	3,329	\$ 46,318	/	yr	month to month
10437 South 1300 West	South Jordan	UT	Mortgage Sales	Leased	4,000	\$ 7,500	/	mo	9/30/2019

6575 So. Redwood Road	Taylorsville	UT	Mortgage Sales	Leased	3,323	\$ 4,638	/	mo	8/31/2019
118 East Vine Street	Tooele	UT	Mortgage Sales	Leased	1,000	\$ 800	/	mo	7/31/2017
108 South 500 West	Vernal	UT	Mortgage Sales	Leased	100	\$ 1,350	/	mo	month to month
10655 NE 4th St # 800	Bellevue	WA	Mortgage Sales	Leased	2,263	\$ 6,883	/	mo	8/31/2017
2100 124th Avenue NE Suite 100	Bellevue	WA	Mortgage Sales	Leased	2,406	\$ 5,013	/	mo	10/31/2015
160 Cascade Place #221	Burlington	WA	Mortgage Sales	Leased	140	\$ 330	/	mo	month to month
1604 Hewitt Ave, Suite 703	Everett	WA	Mortgage Sales	Leased	2,038	\$ 4,650	/	mo	month to month
11232 120th Ave NE # 206	Kirkland	WA	Mortgage Sales	Leased	500	\$ 350	/	mo	month to month
10524 Bridgeport Way SW	Lakewood	WA	Mortgage Sales	Leased	100	\$ 750	/	mo	2/28/2015
19410 8th Avenue, Suite 103	Poulsbo	WA	Mortgage Sales	Sub-Leased	2,385	\$ 3,578	/	mo	month to month
318 39th ST Ave SW, STE A	Puyallup	WA	Mortgage Sales	Leased	3,431	\$ 5,289	/	mo	11/30/2017
535 Dock Street #103	Tacoma	WA	Mortgage Sales	Leased	1,950	\$ 2,925	/	mo	6/30/2015
15640 NE Fourth Plain Blvd #220	Vancouver	WA	Mortgage Sales	Leased	120	\$ 395	/	mo	7/31/2015

The Company believes the office facilities it occupies are in good operating condition and adequate for current operations. The company will enter into additional leases or modify existing leases to meet market demand. Those leases will be month to month where possible. As leases expire the Company will either renew or find comparable leases or acquire additional office space.

Item 2. Properties (Continued)

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

Name of Cemetery	Location	Date Acquired	Developed Acreage (1)	Net Saleable Acreage		
				Total Acreage (1)	Acres Sold as Cemetery Spaces (2)	Total Available Acreage (1)
Memorial Estates, Inc.						
Lakeview Cemetery	1640 East Lakeview Drive Bountiful, Utah	1973	7	40	6	34
Mountain View Cemetery (5)	3115 East 7800 South Salt Lake City, Utah	1973	17	54	16	38
Redwood Cemetery (4)(5)	6500 South Redwood Road West Jordan, Utah	1973	34	78	30	48
Deseret Memorial Inc.						
Lake Hills Cemetery (3)(6)	10055 South State Street Sandy, Utah	1991	9	28	4	24
Holladay Memorial Park, Inc.						
Holladay Memorial Park (3)(4)	4900 South Memory Lane Holladay, Utah	1991	5	14	4	10
California Memorial Estate, Inc.						
Singing Hills Memorial Park	2800 Dehesa Road El Cajon, California	1995	8	35	4	31

(1) The acreage represents estimates of acres that are based upon survey reports, title reports, appraisal reports or the Company's inspection of the cemeteries.

(2) Includes spaces sold for cash and installment contract sales.

(3) As of December 31, 2014, there were mortgages of approximately \$467,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, and Lake Hills Cemetery.

(4) These cemeteries include two granite mausoleums.

(5) The Company developed additional acreage at both Mountain View Cemetery and Redwood Cemetery in 2013 and plans to continue such development as needed.

(6) In mid-October 2013, Deseret Mortuary sold to Dry Creek Development 13 Acres of unimproved land.

Item 2. Properties (Continued)

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

Name of Mortuary	Location	Date Acquired	Viewing Room(s)	Chapel(s)	Square Footage
Memorial Mortuary, Inc.					
Memorial Mortuary	5850 South 900 East				
	Murray, Utah	1973	3	1	20,000
Memorial Estates, Inc.					
Redwood Mortuary(2)	6500 South Redwood Rd.				
	West Jordan, Utah	1973	2	1	10,000
Mountain View Mortuary(2)					
	3115 East 7800 South				
	Salt Lake City, Utah	1973	2	1	16,000
Lakeview Mortuary(2)					
	1640 East Lakeview Dr.				
	Bountiful, Utah	1973	0	1	5,500
Deseret Memorial, Inc.					
Deseret Mortuary(1)	36 East 700 South				
	Salt Lake City, Utah	1991	2	2	36,300
Lakehills Mortuary(2)					
	10055 South State St.				
	Sandy, Utah	1991	2	1	18,000
Cottonwood Mortuary, Inc.					
Cottonwood Mortuary(1)(2)	4670 South Highland Dr.				
	Holladay, Utah	1991	2	1	14,500

(1) As of December 31, 2014, there were mortgages of approximately \$467,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park and Lake Hills Cemetery.

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

Item 3. Legal Proceedings

Lehman Brothers - Aurora Loan Services Litigation

On April 15, 2005, SecurityNational Mortgage entered into a loan purchase agreement with Lehman Brothers Bank, FSB ("Lehman Bank"). Under the terms of the loan purchase agreement, Lehman Bank agreed to purchase mortgage loans from time to time from SecurityNational Mortgage. During 2007, Lehman Bank and its wholly owned subsidiary, Aurora Loan Services LLC ("Aurora Loan Services"), purchased a total of 1,490 mortgage loans in the aggregate amount of \$352,774,000 from SecurityNational Mortgage. Lehman Bank asserted that certain of the mortgage loans that it purchased from SecurityNational Mortgage during 2007 contained alleged misrepresentations and early payment defaults. As a result of these alleged issues with the mortgage loans, Lehman Bank contended it had the right to require SecurityNational Mortgage to repurchase certain loans or be liable for losses related to such

loans under the loan purchase agreement. SecurityNational Mortgage disagrees with these claims.

On December 17, 2007, SecurityNational Mortgage entered into an Indemnification Agreement with Lehman Bank and Aurora Loan Services. Under the terms of the Indemnification Agreement, SecurityNational Mortgage agreed to indemnify Lehman Bank and Aurora Loan Services for 75% of all losses that Lehman Bank and Aurora Loan Services may incur relative to breaches by mortgagors pertaining to 55 mortgage loans that were purchased from SecurityNational Mortgage. SecurityNational Mortgage was released from any obligation to pay the remaining 25% of such losses. The Indemnification Agreement also required SecurityNational Mortgage to indemnify Lehman Bank and Aurora Loan Services for 100% of any future losses incurred on mortgage loans with breaches that were not among the 55 mortgage loans.

Pursuant to the Indemnification Agreement, SecurityNational Mortgage paid \$395,000 to Aurora Loan Services as a deposit into a reserve account, to secure any obligations of SecurityNational Mortgage under the Indemnification Agreement. This deposit was in addition to a \$250,000 deposit that SecurityNational Mortgage previously made into the reserve account for a total of \$645,000. Losses from mortgage loans with alleged breaches were payable from the reserve account. Lehman Bank and Aurora Loan Services were not to apply any funds from the reserve account to a particular mortgage loan, however, until an actual loss had occurred. Under the Indemnification Agreement SecurityNational Mortgage was to pay to Aurora Loan Services each calendar month the difference between the reserve account balance and \$645,000, but in no event would SecurityNational Mortgage be required to make payments into the reserve account in excess of \$125,000 for any calendar month.

Since the time the reserve account was established, SecurityNational Mortgage paid a total of \$4,281,000 from the reserve account to indemnify Lehman Brothers Bank and Aurora Loan Services for alleged losses from 31 mortgage loans that were among 55 mortgage loans with alleged breaches that were covered by the Indemnification Agreement and ten other mortgage loans with alleged breaches. In the last monthly billing statement dated April 24, 2011 to SecurityNational Mortgage, Lehman Brothers Holdings Inc. ("Lehman Holdings") claimed that SecurityNational Mortgage owed approximately \$3,745,000 for mortgage loan losses under the Indemnification Agreement.

During 2010 and 2011, the Company recognized alleged losses of \$1,289,000 and \$-0-, respectively. Management cannot fully determine the total losses, however, because there could be potential claims for losses that have not yet been determined. As of December 31, 2014, the Company had not accrued for any losses under the Indemnification Agreement. SecurityNational Mortgage was involved in discussions with Lehman Bank and Lehman Holdings concerning issues under the Indemnification Agreement. During the discussion period, monthly payments for December 2010 and January, February, March and April of 2011 totaling \$625,000 were abated or deferred.

On May 11, 2011, SecurityNational Mortgage filed a complaint against Aurora Bank FSB, formerly known as Lehman Bank, and Aurora Loan Services in the United States District Court for the District of Utah because it had been unable to resolve certain issues under the Indemnification Agreement with Lehman Bank and Aurora Loan Services. The complaint alleges, among other claims, material breach of the Indemnification Agreement, including a claim that neither Lehman Bank nor Aurora Loan Services owned the mortgage loans that SecurityNational Mortgage sold so as to justify the amount of payments demanded from, and made by, SecurityNational Mortgage. As a result, SecurityNational Mortgage claims it is entitled to judgment of approximately \$4,000,000 against Lehman Bank, as well as Aurora Loan Services to the extent of its involvement and complicity with Lehman Bank. The complaint also alleges a second claim for material breach of a section of the Indemnification Agreement that contains an alleged "sunset" provision and that the amount of the requested payments made was not justified under the "sunset" provision.

On June 8, 2011, Lehman Holdings, which had filed for bankruptcy in September 2008, filed a complaint against SecurityNational Mortgage in the United States District Court for the District of Utah. A subsidiary of Lehman Holdings owns Lehman Bank. The complaint alleges that SecurityNational Mortgage sold loans to Lehman Bank, which were then sold to Lehman Holdings. The complaint additionally alleges that Lehman Bank and Aurora Loan Services assigned their rights and remedies under the loan purchase agreement, as well as the Indemnification Agreement, to Lehman Holdings, which latter assignment purportedly took place on March 28, 2011. Lehman Holdings declared in a letter dated June 2, 2011 that the Indemnification Agreement was null and void except as to losses previously released and discharged, which is disputed by SecurityNational Mortgage.

Lehman Holdings' alleged claims are for damages for breach of contract and breach of warranty pursuant to a loan purchase agreement and Seller's Guide. Based on claiming that the Indemnification Agreement is null and void pursuant to its lawsuit, Lehman Holdings has initially claimed damages in excess of \$5,000,000. Prior to declaring the Indemnification Agreement null and void, Lehman Holdings claimed in a then recent billing statement under the terms of the Indemnification Agreement, that SecurityNational Mortgage owed approximately \$3,745,000 for mortgage loan

losses under the Indemnification Agreement. SecurityNational Mortgage strongly disagrees with the position of Lehman Holdings and, as set forth in its May 11, 2011 complaint, seeks affirmative relief of approximately \$4,000,000 from Lehman Bank and Aurora Loan Services. Lehman Bank is a subsidiary of a company owned by Lehman Holdings, and Aurora Loan Services is a subsidiary of Lehman Bank.

On September 4, 2012, SecurityNational Mortgage filed a motion for summary judgment in its action against Lehman Bank and Aurora Loan Services on certain material issues, as well as against Lehman Holdings regarding its claims against SecurityNational Mortgage. Lehman Bank and Aurora Loan Services filed a cross motion for summary judgment as to the issues in SecurityNational Mortgage's motion and, in the Lehman Holdings case, Lehman Holdings has requested that the Court allow a cross motion on the issues which are the subject of SecurityNational Mortgage's September 4, 2012 motion. The cases are before two different federal judges.

On February 27, 2013, SecurityNational Mortgage's motion for summary judgment against Lehman Bank and Aurora Loan Services and the related cross motion were heard by Judge David Nuffer of the United States District Court for the District of Utah. After an extensive hearing, Judge Nuffer requested that the parties prepare findings of fact in accordance with the Court's earlier promulgated findings as modified at the hearing, and that each party submit proposed conclusions of law related to the motions. The motion and cross motion were taken under advisement. SecurityNational Mortgage's motion in the Lehman Holdings case was heard on April 22, 2014 before Judge Ted Stewart of the United States District Court for the District of Utah, and is under advisement.

On May 6, 2014, Judge Nuffer issued his summary of facts, conclusions of law and order granting SecurityNational Mortgage's motion for summary judgment and denying the cross motion of Lehman Bank and Aurora Loan Services. On May 27, 2014, Lehman Bank and Aurora Loan Services filed a motion to reconsider Judge Nuffer's summary judgment ruling. On June 2, 2014, a hearing was held before Judge Nuffer to determine the amount owing to SecurityNational Mortgage pursuant to the summary judgment ruling. On December 23, 2014, Judge Nuffer issued an order denying Lehman Bank's and Aurora Loan Services' motion for reconsideration of his summary judgment ruling in favor of SecurityNational Mortgage.

On December 24, 2014, Judge Nuffer issued an amended order granting SecurityNational Mortgage's motion for summary judgment. The amended order provided that the amount of monies previously paid by SecurityNational Mortgage that were wrongfully applied by Lehman Bank to losses on loans actually owed by Lehman Holdings, as established at the June 2, 2014 hearing, was \$3,892,974. The amended order also provided for prejudgment interest at 9% per annum to SecurityNational Mortgage. The total amount of prejudgment interest awarded is \$1,674,240 through May 31, 2014, with a per diem of \$960 for each day after May 31, 2014 until judgment. The court also commented that further replenishment of the indemnification fund under the Indemnification Agreement appears to be barred by language in the assignment effecting a waiver, but that this issue had not been briefed before the June 2, 2014 hearing. In addition, the court stated that the offset that Lehman Bank and Aurora Loan Services pled as an affirmative defense had not yet been adjudicated by the court. Finally, the court ordered the parties to meet and confer by January 16, 2015, and to file a motion to schedule the disposition of the remaining issues in the case. The motion is to clarify whether any issues other than the offset remain to be resolved.

On May 7, 2014, Judge Stewart issued an order for the parties to submit supplemental briefs as to the effect of Judge Nuffer's summary judgment order on SecurityNational Mortgage's motion for summary judgment in the Lehman Holdings case. The supplemental briefing was continued until January 16, 2015. Judge Stewart also granted leave for SecurityNational Mortgage to file an additional motion for summary judgment in the Lehman Holdings case on the basis that the claims of Lehman Holdings are barred by the statute of limitations. The motion was also to be filed by January 16, 2015. The August 11, 2014 trial setting before Judge Stewart in the Lehman Holdings case was stricken without providing a new trial date.

On January 16, 2015, SecurityNational Mortgage and Lehman Holdings filed briefs with Judge Stewart concerning the effect of the rulings in Judge Nuffer's case on the case before Judge Stewart, and on the same date SecurityNational Mortgage filed a motion for summary judgment in the Lehman Holdings case based on the statute of limitations. A hearing concerning SecurityNational Mortgage's summary judgment motion based on the statute of limitations is scheduled before Judge Stewart on April 14, 2015. On February 28, 2015, Lehman Bank and Aurora Loan Services

filed a partial summary judgment motion before Judge Nuffer asserting that the Indemnification Agreement security fund should be replenished, and for a right to offset alleged losses of approximately \$8.6 million, based on more than 100 loans retained by Lehman Bank, against the amount owing to SecurityNational per Judge Nuffer's summary judgment order. Lehman Bank and Aurora Loan Services asserts that another 124 loans are not analyzed yet for potential breaches.

SecurityNational Mortgage had until March 30, 2015 to respond to the motion of Lehman Bank and Aurora Loan Services, and to file a motion if so determined by SecurityNational Mortgage. SecurityNational Mortgage asserts that Lehman Bank and Aurora Loan Services have no rights to a replenishment of the Indemnification Agreement reserve account, or for any offset against the liability of Lehman Bank and Aurora Loan Services to SecurityNational Mortgage, including the assertion that Lehman Bank and Aurora Loan Services executed an assignment to Lehman Holdings containing a waiver and release of rights and remedies which affect the foregoing asserted replenishment and offset matters. On March 30, 2015, SecurityNational Mortgage filed a response in opposition to the partial summary judgement motion of Lehman Bank and Aurora Loan Services and also filed its own partial summary judgment motion on the same issue against Lehman Bank and Aurora Loan Services.

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. 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." Prior to August 13, 1987, there was no active public market for the Class A and Class C common stock. As of March 25, 2015, the closing sales price of the Class A common stock was \$5.41 per share. The following were the high and low market closing sales prices for the Class A common stock by quarter as reported by Nasdaq since January 1, 2013:

Period (Calendar Year)	Price Range (1)	
	High	Low
2013		
First Quarter	\$ 13.09	\$ 6.14
Second Quarter	\$ 8.32	\$ 5.37
Third Quarter	\$ 6.03	\$ 4.96
Fourth Quarter	\$ 5.46	\$ 4.16
2014		
First Quarter	\$ 4.56	\$ 3.67
Second Quarter	\$ 4.27	\$ 3.53
Third Quarter	\$ 4.73	\$ 3.86
Fourth Quarter	\$ 5.66	\$ 4.45
2015		
First Quarter (through March 25, 2015)	\$ 6.24	\$ 5.39

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

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

The Company has never paid a cash dividend on its Class A or Class C common stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C common stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate. A 5% stock dividend on Class A and Class C common stock has been paid each year from 1990 through 2014.

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, 2010 through December 31, 2014. 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, 2010 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.

	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
SNFC	100	85	483	278	332
S & P 500	100	100	113	147	164
S & P Insurance	100	90	115	154	163

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

As of December 31, 2014, there were 3,606 record holders of Class A common stock and 85 record holders of Class C common stock.

Item 6. Selected Financial Data - The Company and Subsidiaries (Consolidated)

The following selected financial data is for each of the five years ended December 31, 2014, and is derived from the audited consolidated financial statements. The data as of December 31, 2014 and 2013, and for the three years ended December 31, 2014, should be read in conjunction with the consolidated financial statements, related notes and other financial information.

Consolidated Statement of Earnings Data:

	Year Ended December 31				
	2014	2013	2012(2)	2011(1)	2010
Revenue					
Insurance premiums and other considerations	\$53,009,000	\$50,472,000	\$48,216,000	\$48,457,000	\$38,509,000
Net investment income	28,304,000	20,354,000	21,916,000	18,570,000	18,262,000
Net mortuary and cemetery sales	11,426,000	12,000,000	10,865,000	10,761,000	11,520,000
Realized gains on investments	1,918,000	1,418,000	1,425,000	2,464,000	1,615,000
Other than temporary impairments	(164,000)	(336,000)	(1,208,000)	(841,000)	(674,000)
Mortgage fee income	128,697,000	128,801,000	151,887,000	79,046,000	97,697,000
Other	3,747,000	2,606,000	1,159,000	1,110,000	1,582,000
Total revenues	226,937,000	215,315,000	234,260,000	159,567,000	168,511,000
Expenses					
Policyholder benefits	47,850,000	48,130,000	45,681,000	46,204,000	37,947,000
Amortization of deferred policy acquisition costs	6,893,000	5,182,000	5,450,000	5,769,000	4,431,000
Selling, general and administrative expenses	154,866,000	147,406,000	156,310,000	102,513,000	122,217,000
Interest expense	2,994,000	2,854,000	3,744,000	1,961,000	2,779,000
Cost of goods and services of the mortuaries and cemeteries	1,853,000	1,919,000	1,724,000	1,883,000	2,226,000
	214,456,000	205,491,000	212,909,000	158,330,000	169,600,000

Total benefits
and expenses

Earnings (loss) before income taxes	12,481,000	9,824,000	21,351,000	1,237,000	(1,089,000)
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In c o m e t a x benefit (expense)	(4,726,000)	(2,238,000)	(4,639,000)	62,000	658,000
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Net earnings (loss)	\$7,755,000	\$7,586,000	\$16,712,000	\$1,299,000	\$(431,000)
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Net earnings (l o s s) p e r common share (3)	\$0.62	\$0.61	\$1.46	\$0.12	\$(0.04)
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W e i g h t e d a v e r a g e outstanding common shares (3)	12,519,000	12,366,000	11,428,000	11,187,000	10,981,000
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Net earnings (l o s s) p e r c o m m o n share-assuming dilution (3)	\$0.60	\$0.58	\$1.39	\$0.11	\$(0.04)
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W e i g h t e d a v e r a g e outstanding c o m m o n shares-assuming dilution (3)	12,928,000	12,982,000	12,027,000	11,306,000	10,981,000
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Balance Sheet Data:

	2014	2013	December 31 2012(2)	2011(1)	2010
Assets					
Investments and restricted assets	\$ 446,249,000	\$ 391,523,000	\$ 356,446,000	\$ 337,625,000	\$ 281,262,000
Cash	30,855,000	38,203,000	33,494,000	15,583,000	37,244,000
Receivables	82,079,000	88,832,000	111,157,000	87,252,000	71,035,000
Other assets	111,887,000	100,199,000	96,120,000	82,591,000	77,471,000
Total assets	\$ 671,070,000	\$ 618,757,000	\$ 597,217,000	\$ 523,051,000	\$ 467,012,000
Liabilities					
Policyholder benefits	\$ 481,689,000	\$ 457,304,000	\$ 443,388,000	\$ 388,538,000	\$ 351,563,000
Bank & other loans payable	29,020,000	18,289,000	11,910,000	25,019,000	7,066,000
Cemetery & mortuary liabilities	13,242,000	13,176,000	13,412,000	13,140,000	13,192,000
Cemetery perpetual care obligation	3,407,000	3,266,000	3,153,000	2,983,000	2,854,000
Other liabilities	46,621,000	38,971,000	45,542,000	32,140,000	32,408,000
Total liabilities	573,979,000	531,006,000	517,405,000	461,820,000	407,083,000
Stockholders' equity	97,091,000	87,751,000	79,812,000	61,231,000	59,929,000
Total liabilities and stockholders' equity	\$ 671,070,000	\$ 618,757,000	\$ 597,217,000	\$ 523,051,000	\$ 467,012,000

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

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

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company's operations over the last several years generally reflect three trends or events which the Company expects to continue: (i) increased attention to "niche" insurance products, such as the Company's funeral plan policies and traditional whole life products; (ii) emphasis on cemetery and mortuary business; and (iii) capitalizing on relatively low interest rates by originating mortgage loans.

Insurance Operations

The following table shows the financial results for the Company's insurance operations for the years ended December 31, 2014, 2013 and 2012. See Note 14 of the Notes to Consolidated Financial Statements.

	Years ended December 31		(in thousands of dollars)			
	2014	2013	2014 vs 2013 % Increase (Decrease)	2012	2013 vs 2012 % Increase (Decrease)	
Revenues from e x t e r n a l customers						
Insurance premiums	\$ 53,009	\$ 50,472	5 %	\$ 48,216	5 %	
Net investment income	23,008	15,878	45 %	16,617	(4 %)	
Revenues from loan originations	4,029	851	373 %	1,334	(36 %)	
Other	1,727	1,604	8 %	690	132 %	
Total	\$ 81,773	\$ 68,805	19 %	\$ 66,857	3 %	
Intersegment revenue	\$ 6,128	\$ 7,220	(15 %)	\$ 7,571	(5 %)	
Earnings before income taxes	\$ 8,472	\$ 2,868	195 %	\$ 4,591	(38 %)	

Intersegment revenues for the Company's insurance operations are primarily interest income from the warehouse line provided to SecurityNational Mortgage Company. Profitability in 2014 has increased due to increases in net investment income, increases in insurance premiums and increases in loan origination revenue.

Cemetery and Mortuary Operations

The following table shows the condensed financial results for the Company's cemetery and mortuary operations for the years ended December 31, 2014, 2013 and 2012. See Note 14 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)				2013 vs 2012 % Increase (Decrease)	
	2014	2013	2014 vs 2013 % Increase (Decrease)		2012	
Revenues from e x t e r n a l customers						
Mortuary revenues	\$ 4,801	\$ 5,081	(6	%)	\$ 4,567	11 %
Cemetery revenues	6,625	6,919	(4	%)	6,297	10 %
Realized gains on investments and other assets	586	16	3563	%	9	78 %
Other	445	364	22	%	470	(23 %)
Total	\$ 12,457	\$ 12,380	1	%	\$ 11,343	9 %
Earnings before income taxes	\$ 663	\$ 223	197	%	\$ 219	2 %

The majority of the realized gain in the Company's cemetery and mortuary operations in 2014 was due to the sale of certain real estate of Paradise Sunset Chapel. Included in other revenue was rental income from residential and commercial properties purchased from Security National Life. Memorial Estates used financing provided by Security National Life to purchase these properties. The rental income was offset by property insurance, taxes, maintenance expenses and interest payments made to Security National Life. Memorial Estates recorded depreciation on these properties of \$945,000, \$1,029,000 and \$1,025,000 for the twelve months ended December 31, 2014, 2013 and 2012, respectively.

Mortgage Operations

Approximately 58% of the Company's revenues for the fiscal year 2014 were through its wholly owned subsidiaries, SecurityNational Mortgage Company and Green Street Mortgage Services, Inc. Both mortgage subsidiaries are mortgage lenders incorporated under the laws of the State of Utah, and are approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), to originate mortgage loans that qualify for government insurance in the event of default by the borrower. SecurityNational Mortgage and Green Street Mortgage obtain loans from their retail offices and independent brokers and pay a commission to brokers for loans that are funded by them. Mortgage loans originated by the Company's mortgage subsidiaries are funded from internal cash flows, including loan purchase agreements from Security National Life Insurance Company, its wholly owned subsidiary, and unaffiliated financial institutions.

SecurityNational Mortgage and Green Street Mortgage receive fees from the borrowers and secondary fees from third party investors that purchase their loans. Loans originated by SecurityNational Mortgage and Green Street Mortgage are generally sold with mortgage servicing rights released to third party investors. Since the second quarter of 2012,

however, SecurityNational Mortgage has sold, but retained mortgage servicing rights on approximately 30% of its origination volume. These loans are serviced by an approved third party servicer. For the twelve months ended December 31, 2014, 2013 and 2012, SecurityNational Mortgage originated and sold 10,794 loans (\$2,037,337,000 total volume), 11,484 loans (\$2,147,040,000 total volume), and 13,392 loans (\$2,451,843,000 total volume), respectively. For the twelve months ended December 31, 2014 and 2013, Green Street Mortgage originated and sold 33 loans (\$7,298,000 total volume), and seven loans (\$1,731,000 total volume), respectively. Green Street Mortgage did not originate and sell any mortgage loans prior to January 1, 2013.

The following table shows the condensed financial results for the Company's mortgage operations for the years ended 2014, 2013 and 2012. See Note 14 of the Notes to Consolidated Financial Statements.

		Years ended December 31 (in thousands of dollars)					
		2014 vs 2013 % Increase (Decrease)		2013 vs 2012 % Increase (Decrease)			
	2014	2013		2012			
Revenues from external customers:							
Revenues from loan originations	\$ 102,806	\$ 104,111	(1 %)	\$ 120,749	(14 %)		
Secondary gains from investors	21,862	23,839	(8 %)	29,804	(20 %)		
Total	\$ 124,668	\$ 127,950	(3 %)	\$ 150,553	(15 %)		
Earnings before income taxes	\$ 3,346	\$ 6,732	(50 %)	\$ 16,542	(59 %)		

The decrease in earnings for the Company's mortgage operations for the twelve months ended December 31, 2014 as compared to December 31, 2013 was due to lower secondary gains on mortgage loans sold to investors and the decline in refinance activity as a result of the increase in mortgage loan interest rates in 2014.

Mortgage Loan Loss Settlements

The mortgage industry has seen potential loan losses decrease. Future loan losses are extremely difficult to estimate, especially in the current market. However, management believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate its losses on loans sold. The amounts accrued for loan losses in years ended December 31, 2014 and 2013 were \$3,053,000 and \$1,846,000, respectively. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2014 and 2013, the balances were \$1,718,000 and \$5,507,000, respectively.

Final Settlement with Wells Fargo

On April 7, 2011, SecurityNational Mortgage entered into the Settlement Agreement and Release (the "Settlement Agreement") with Wells Fargo Funding, Inc. On December 4, 2014, SecurityNational Mortgage and Wells Fargo Bank (which was assigned Wells Fargo Funding's interest in the Settlement Agreement) entered into a Second Addendum (the "Addendum") to the Settlement Agreement, in which SecurityNational Mortgage agreed to make a final payment to Wells Fargo Bank by December 30, 2014, to satisfy and terminate its remaining payment obligations under the Settlement Agreement. On December 29, 2014, SecurityNational Mortgage made the final payment to Wells Fargo Bank pursuant to the terms of the Addendum from its loan loss reserve, thereby satisfying in full its payment obligations under the Settlement Agreement.

Settlement with Bank of America, N.A. and Countrywide Home Loans, Inc.

On December 23, 2014, SecurityNational Mortgage entered into a Settlement Agreement (the "Settlement Agreement") with Countrywide Home Loans, Inc. ("Countrywide Home Loans"), Bank of America, N.A. ("Bank of America"),

successor-in-interest by the April 27, 2009 de jure merger to Countrywide Bank, FSB. Under the terms of the Settlement Agreement, SecurityNational Mortgage is required to pay a settlement amount to Bank of America and Countrywide Home Loans, jointly as settlement purchasers. On December 23, 2014, SecurityNational Mortgage made the full and final settlement payment from its mortgage loan loss reserve to Bank of America and Countrywide Home Loans by wire transfer.

The payment of the settlement amount is in full and final settlement of the claims and disputes between Bank of America and Countrywide Home Loans, and SecurityNational Mortgage under certain loan purchase agreements. Bank of America, Countrywide Home Loans and SecurityNational Mortgage are parties to the Loan Purchase Agreement, originally entered into between Countrywide Funding Corporation and SecurityNational Mortgage, dated September 27, 1994; and Countrywide Home Loans and SecurityNational Mortgage are parties to the Home Equity Loan Purchase Agreement, dated January 15, 1997, including any amendments or modifications to such agreements (collectively, the “Loan Purchase Agreements”).

Under the terms of the Settlement Agreement, SecurityNational Mortgage, Bank of America and Countrywide Home Loans agreed to full, complete and general mutual releases with respect to the alleged claims and disputes. In particular, Bank of America and Countrywide Home Loans, as settlement purchasers, and SecurityNational Mortgage Company, as settlement seller, and their respective parent and subsidiary entities, predecessors, successors and affiliates agree to fully, finally and completely release and forever discharge each other and their respective parent and subsidiary entities, predecessors, successors, affiliates, assigns and their respective current and past directors, officers, employees, representatives and agents from any and all claims and disputes under the Loan Purchase Agreements. The settlement agreement is subject to an exception for pervasive or system-wide fraud.

Mortgage Loan Loss Demands

Third Party Investors

There have been assertions in third party investor correspondence that SecurityNational Mortgage sold mortgage loans that allegedly contained borrower misrepresentations or experienced early payment defaults, or that were otherwise allegedly defective or not in compliance with agreements between SecurityNational Mortgage and the third party investors consisting principally of financial institutions. As a result of these claims, third party investors have made demands that SecurityNational Mortgage repurchase certain alleged defective mortgage loans that were sold to such investors or indemnify them against any losses related to such loans.

The total amount of potential claims by third party investors is difficult to determine. The Company has reserved and accrued \$1,702,000 as of December 31, 2014 to settle all such investor related claims. The Company believes that the reserve for mortgage loan loss, which includes provisions for probable losses and indemnification on mortgage loans sold to investors, is reasonable based on available information. Moreover, the Company has successfully negotiated acceptable settlement terms with other third party investors that asserted claims for mortgage loan losses against SecurityNational Mortgage.

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

JP Morgan Chase Indemnification Demand

The Company and its wholly owned subsidiary, SecurityNational Mortgage, received a notice of claim for indemnification dated December 21, 2011, from JP Morgan Chase & Co. (“JP Morgan Chase”) on behalf of EMC Mortgage, LLC (“EMC Mortgage”), relating to 21 mortgage loans that EMC Mortgage allegedly purchased as a third party investor from SecurityNational Mortgage. The notice also referenced a guaranty agreement, dated February 23, 2006, by the Company for the benefit of EMC Mortgage. The indemnification notice additionally stated that EMC Mortgage had been named in a lawsuit by the Bear Stearns Mortgage Funding Trust 2007-AR2 (the “Trust”), which was filed on September 13, 2011 in the Delaware Court of Chancery.

The lawsuit the Trust brought against EMC Mortgage contends that more than 800 residential mortgage loans that EMC Mortgage sold to the Trust (including the 21 loans allegedly originated by SecurityNational Mortgage) contained breaches of representations and warranties with respect to the mortgage loans, as well as defaults and foreclosures in many of such loans. As a result of the alleged breaches of representations and warranties by EMC Mortgage, the complaint requests that EMC Mortgage be ordered to repurchase from the Trust any loans for which it breached its representations and warranties, in the amount of the mortgage loans’ outstanding principal balance and all accrued but unpaid interest.

The indemnification notice from JP Morgan Chase further alleged that the Company and SecurityNational Mortgage are required to indemnify EMC Mortgage for any of its losses arising from the lawsuit that the Trust brought against EMC based upon allegedly untrue statements of material fact related to information that was provided by SecurityNational Mortgage. To the extent the claims in the complaint relate to the 21 mortgage loans that SecurityNational Mortgage allegedly sold to EMC Mortgage, the Company believes it has significant defenses to such claims. The Company intends to vigorously defend itself and SecurityNational Mortgage in the event that JP Morgan Chase were to bring any legal action to require the Company or SecurityNational Mortgage to indemnify it for any loss, liability or expense in connection with the lawsuit that the Trust brought against EMC Mortgage.

Mortgage Loan Loss Litigation

For a description of the litigation involving SecurityNational Mortgage and Lehman Brothers and Aurora Loan Services, reference is to Part I, Item 3. Legal Proceedings.

Significant Accounting Policies

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

Insurance Operations

In accordance with generally accepted accounting principles in the United States of America (GAAP), premiums and other considerations received for interest sensitive products are reflected as increases in liabilities for policyholder account balances and not as revenues. Revenues reported for these products consist of policy charges for the cost of insurance, administration charges, amortization of policy initiation fees and surrender charges assessed against policyholder account balances. Surrender benefits paid relating to these products are reflected as decreases in liabilities for policyholder account balances and not as expenses.

The Company receives investment income earned from the funds deposited into account balances, a portion of which is passed through to the policyholders in the form of interest credited. Interest credited to policyholder account balances and benefit claims in excess of policyholder account balances are reported as expenses in the consolidated

financial statements.

Premiums and other considerations received for traditional life insurance products are recognized as revenues when due. Future policy benefits are recognized as expenses over the life of the policy by means of the provision for future policy benefits.

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

Death and other policyholder benefits reflect exposure to mortality risk and fluctuate from year to year on the level of claims incurred under insurance retention limits. The profitability of the Company is primarily affected by fluctuations in mortality, other policyholder benefits, expense levels, interest spreads (i.e., the difference between interest earned on investments and interest credited to policyholders) and persistency. The Company has the ability to mitigate adverse experience through sound underwriting, asset and liability duration matching, sound actuarial practices, adjustments to credited interest rates, policyholder dividends and cost of insurance charges.

Cemetery and Mortuary Operations

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

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

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

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

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

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

Mortgage Operations

Mortgage fee income consists of origination fees, processing fees and certain other income related to the origination and sale of mortgage loans. For mortgage loans sold to third party investors, mortgage fee income and related expenses are recognized pursuant to generally accepted accounting principles at the time the sales of the mortgage loans comply with the sales criteria for the transfer of financial assets. The sales criteria is as follows: (i) the transferred assets have been isolated from the Company and its creditors, (ii) the transferee has the right to pledge or exchange the mortgage, and (iii) the Company does not maintain effective control over the transferred mortgage.

The Company must determine that all three sales criteria are met at the time a mortgage loan is funded. All rights and title to the mortgage loans are assigned to unrelated financial institution investors, including investor commitments for the loans made prior to warehouse banks purchasing the loans under the purchase commitments.

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

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

Loan purchase commitments generally specify a date 30 to 45 days after delivery upon which the underlying loans should be settled. Depending on market conditions, these commitment settlement dates can be extended at a cost to the Company. Generally, a ten day extension will cost .125% (12.5 basis points) of the loan amount. The Company's historical data shows that 99% of all loans originated are generally settled by the investors as agreed within 16 days after delivery. There are situations, however, when the Company determines that it is unable to enforce the settlement of loans rejected by the third-party investors and that it is in its best interest to repurchase those loans from the warehouse banks.

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 the previously recorded sales revenue is reversed. Any loan that later becomes delinquent is evaluated by the Company at that time and any impairment is adjusted accordingly.

Determining lower of cost or market. Cost is equal to the amount paid to the warehouse bank and the amount originally funded by the Company. Market value, while often difficult to determine, is based on the following guidelines:

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

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

Loans that are foreclosed on are reclassified as other real estate held for investment. The Company carries the foreclosed properties in Security National Life, Memorial Estates, and SecurityNational Mortgage, its life, cemeteries and mortuaries, and mortgage subsidiary, and rents the properties until it is deemed economically desirable to sell them.

Mortgage fee income is generated through the origination and refinancing of mortgage loans and is realized in accordance with GAAP related to sales of financial assets.

The majority of loans originated are sold to third party investors. The amounts sold to investors are shown on the balance sheet as mortgage loans sold to investors, and include the fees due from the investors.

Use of Significant Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized which could have a material impact on the financial statements. The following is a summary of our significant accounting estimates, and critical issues that impact them:

Fixed Maturities and Equity Securities Available for Sale

Securities available for sale are carried at estimated fair value, with unrealized holding gains and losses reported in accumulated other comprehensive income, which is included in stockholders' equity after adjustment for deferred income taxes and deferred acquisition costs related to universal life products.

When the value of a security declines and the decline is determined to be other than temporary, the carrying value of the investment is reduced to its fair value and a realized loss is recorded to the extent of the decline.

Deferred Acquisition Costs

Amortization of deferred policy acquisition costs for interest sensitive products is dependent upon estimates of current and future gross profits or margins on this business. Key assumptions used include the following: yield on investments supporting the liabilities, amount of interest or dividends credited to the policies, amount of policy fees and charges, amount of expenses necessary to maintain the policies, amount of death and surrender benefits, and the length of time the policies will stay in force.

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

Value of Business Acquired

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

Allowance for Doubtful Accounts

The Company accrues an estimate of potential losses for the collection of receivables. The significant receivables are the result of receivables due on mortgage loans sold to investors, cemetery and mortuary operations, mortgage loan operations and other receivables. The allowance is based upon the Company's experience. The critical issue that would impact recovery of the cemetery and mortuary receivables is the overall economy. The critical issues that would impact recovery of mortgage loan operations would be interest rate risk and loan underwriting.

Future Policy Benefits

Reserves for future policy benefits for traditional life insurance products requires the use of many assumptions, including the duration of the policies, mortality experience, expenses, investment yield, lapse rates, surrender rates, and dividend crediting rates.

These assumptions are made based upon historical experience, industry standards and a best estimate of future results and, for traditional life products, include a provision for adverse deviation. For traditional life insurance, once established for a particular series of products, these assumptions are generally held constant.

Unearned Revenue

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

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

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

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

Mortgage Servicing Rights

Mortgage Service Rights (MSR) arise from contractual agreements between the Company and third-party investors (or their agents) when mortgage loans are sold. Under these contracts, the Company is obligated to retain and provide loan servicing functions on the loans sold, in exchange for fees and other remuneration. The servicing functions typically performed include, among other responsibilities, collecting and remitting loan payments; responding to borrower inquiries; accounting for principal and interest, holding custodial (impound) funds for payment of property taxes and insurance premiums; counseling delinquent mortgagors; and supervising the acquisition of REO and property dispositions. The Company initially accounts for MSRs at fair value and subsequently accounts for them using the amortization method. MSR amortization is determined by amortizing the balance straight-line over an estimated nine year life. The Company periodically assesses MSRs accounted for using the amortization method for impairment.

Mortgage Allowance for Loan Loss and Loan Loss Reserve

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

When a mortgage loan is past due more than 90 days, the Company, where appropriate, sets up an allowance to approximate the excess of the carrying value of the mortgage loan over the estimated fair value of the underlying real estate collateral. When foreclosure is commenced on a delinquent loan, all expenses for foreclosure are expensed as incurred. Once foreclosed the carrying value should approximate its fair value and the amount will be classified as real estate owned. The Company is currently able to rent properties at a 2% to 8% gross return.

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

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions. The Company accrues a monthly allowance for indemnification losses to investors based on total production. This estimate is based on the Company's historical experience. The amount accrued for and the charge to expense is included in selling, general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses. The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of the balance sheet date.

Deferred Compensation

The Company has deferred compensation agreements with several of its current executive officers. The deferred compensation is payable upon retirement or death of these individuals either in annual installments (ten years) or a lump sum settlement, if approved by the Board of Directors. The Company has accrued the present value of these

benefits based upon their future retirement dates and other factors, on its consolidated financial statements.

Depreciation

Depreciation is calculated principally on the straight-line-method over the estimated useful lives of the assets, which range from 3 to 40 years. Leasehold improvements are amortized over the lesser of the useful life or remaining lease terms.

Captive Insurance

This Company belongs to a captive insurance group for certain casualty, workers compensation and general liability insurance. 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 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.

Results of Consolidated Operations

2014 Compared to 2013

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

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

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

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

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

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

Mortgage fee income decreased by \$104,000, or 0.1%, to \$128,697,000 for 2014, from \$128,801,000 for the comparable period in 2013. This decrease was primarily attributable to lower secondary gains from mortgage loans

sold to investors and the decline in refinance activity as a result of the increase in mortgage loan rates in 2014.

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

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

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

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

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

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

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

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

2013 Compared to 2012

Total revenues decreased by \$18,945,000, or 8.1%, to \$215,315,000 for fiscal year 2013 from \$234,260,000 for the fiscal year 2012. Contributing to this decrease in total revenues was a \$23,087,000 decrease in mortgage fee income and a \$1,562,000 decrease in net investment income. This decrease in total revenues was partially offset by a \$2,256,000 increase in insurance premiums and other considerations, a \$1,447,000 increase in other revenues, a \$1,136,000 increase in net cemetery and mortuary sales, and an \$871,000 decrease in other than temporary impairments.

Insurance premiums and other considerations increased by \$2,256,000, or 4.7%, to \$50,472,000 for 2013, from \$48,216,000 for the comparable period in 2012. This increase was due to an increase in first year premiums as a result of increased insurance sales in 2013.

Net investment income decreased by \$1,562,000, or 7.1%, to \$20,354,000 for 2013, from \$21,916,000 for the comparable period in 2012. This decrease was primarily attributable to a \$3,103,000 increase in investment expenses, an \$877,000 decrease in interest from mortgage loans, a \$53,000 decrease in equity securities income, and a \$31,000 decrease in policy loans income. This decrease was partially offset by a \$1,731,000 increase in income from real estate, a \$535,000 increase in fixed maturity securities income, and a \$236,000 increase in income from short-term investments.

Net cemetery and mortuary sales increased by \$1,136,000, or 10.5%, to \$12,000,000 for 2013, from \$10,864,000 for the comparable period in 2012. This increase was primarily due to a \$622,000 increase in cemetery pre-need and at-need sales, and a \$514,000 increase in mortuary at-need sales.

Realized gains on investments and other assets decreased by \$6,000, or 0.5%, to \$1,418,000 in realized gains for 2013, from \$1,424,000 in realized gains for the comparable period in 2012. This decrease in realized gains and losses on investments and other assets was primarily due to a \$410,000 decrease in gains and losses on fixed maturity securities held to maturity. This decrease was partially offset by a \$252,000 increase in gains and losses on other assets, and a \$152,000 increase in gains and losses on marketable securities.

Other than temporary impairments on investments decreased by \$871,000, or 72.2%, to \$336,000 for 2013 from \$1,207,000 for the comparable period in 2012. This decrease was due to a \$679,000 decrease in impairments on real estate held for investment and mortgage loans, a \$147,000 decrease in impairments on marketable securities, and a \$45,000 decrease in impairments on fixed maturity securities held to maturity.

Mortgage fee income decreased by \$23,087,000, or 15.2%, to \$128,801,000 for 2013, from \$151,888,000 for the comparable period in 2012. This decrease was primarily attributable to lower secondary gains from mortgage loans sold to investors and the decline in refinance activity as a result of the increase in mortgage loan rates in 2013.

Other revenues increased by \$1,447,000, or 124.9%, to \$2,606,000 for 2013 from \$1,159,000 for the comparable period in 2012. This increase was due to an increase in mortgage servicing revenues.

Total benefits and expenses were \$205,491,000, or 95.3% of total revenues, for 2013, as compared to \$212,909,000, or 90.9% of total revenues, for the comparable period in 2012.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of \$2,449,000, or 5.4%, to \$48,130,000 for 2013, from \$45,681,000 for the comparable period in 2012. This increase was primarily the result of a \$3,771,000 increase in death benefits, a \$518,000 increase in surrender and other policy benefits, which were partially offset by a \$1,840,000 decrease in future policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired decreased by \$267,000, or 4.9%, to \$5,182,000 for 2013, from \$5,449,000 for the comparable period in 2012. This decrease was primarily due to improved persistency in the traditional life and universal life lines of business.

Selling, general and administrative expenses decreased by \$8,903,000, or 5.7%, to \$147,407,000 for 2013, from \$156,310,000 for the comparable period in 2012. This decrease was primarily the result of a decrease in mortgage loan originations by SecurityNational Mortgage, which was attributed to the decline in refinance activity as a result of the increase in mortgage loan rates in 2013. Commission expenses decreased by \$17,861,000, from \$83,840,000 in 2012 to \$65,979,000 in 2013 as a result of the decline in refinance activity in 2013. Costs related to funding mortgage loans decreased by \$296,000, from \$6,931,000 in 2012 to \$6,635,000 in 2013 as a result of the decline in refinance activity in 2013. Provision for loan losses decreased by \$2,488,000, from \$4,239,000 in 2012 to \$1,751,000 in 2013.

The decreases in selling, general and administrative expenses were partially offset by an increase in salaries of \$5,921,000, from \$27,099,000 in 2012 to \$33,020,000 in 2013, primarily due to an increase in the number of employees. Other expenses increased by \$5,821,000, from \$34,200,000 in 2012 to \$40,021,000 in 2013 primarily due to an increase in mortgage servicing fees.

Interest expense decreased by \$890,000, or 23.8%, to \$2,854,000 for 2013, from \$3,744,000 for the comparable period in 2012. This decrease was primarily due to reduction in outstanding balances on warehouse lines of credit used to fund mortgage loans.

Cost of goods and services sold of the cemeteries and mortuaries increased by \$195,000, or 11.3%, to \$1,919,000 for 2013, from \$1,724,000 for the comparable period in 2012. This increase was primarily due to an increase in mortuary at-need sales and an increase in cemetery pre-need and at-need sales.

Other comprehensive income for the years ended December 31, 2013 and December 31, 2012 amounted to a loss of \$716,000 and a gain of \$1,280,000, respectively. This decrease of \$1,996,000 in 2013 was primarily the result of a loss of \$1,873,000 in derivatives related to mortgage loans and a \$123,000 unrealized loss in marketable securities.

Risks

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

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

and also by employing underwriting practices that identify and minimize the adverse impact of such risks.

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

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

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions. The Company accrues a monthly allowance for indemnification losses to investors based on its historical experience. The amounts accrued for loan losses in years ended December 31, 2014, 2013 and 2012 were \$3,053,000, \$1,846,000 and \$4,053,000, respectively, and the charge to expense has been included in selling, general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2014 and 2013, the balances were \$1,718,000 and \$5,507,000, respectively. The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of December 31, 2014. There is a risk, however, that future loan losses may exceed the loan loss reserves and allowances.

As of December 31, 2014, the Company's long term mortgage loan portfolio consisted of \$7,500,000 in mortgage loans with delinquencies more than 90 days. Of this amount, \$1,971,000 of the loans were in foreclosure proceedings. The Company has not received or recognized any interest income on the \$7,500,000 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2014 and 2013, the Company increased its allowance for mortgage losses by \$389,000 and \$221,000, respectively, which was charged to bad debt expense and included in selling, general and administrative expenses for the period. The allowances for mortgage loan losses as of December 31, 2014 and 2013 were \$2,003,000 and \$1,652,000, respectively.

There have been assertions in third party investor correspondence that SecurityNational Mortgage sold mortgage loans that allegedly contained borrower misrepresentations or experienced early payment defaults, or that were otherwise allegedly defective or not in compliance with agreements between SecurityNational Mortgage and the third party investors consisting principally of financial institutions. As a result of these claims, third party investors have made demands that SecurityNational Mortgage repurchase certain alleged defective mortgage loans that were sold to such investors or indemnify them against any losses related to such loans.

The total amount of potential claims by third party investors is difficult to determine. The Company has reserved and accrued \$1,702,000 as of December 31, 2014 to settle all such investor related claims. The Company believes that the reserve for mortgage loan loss, which includes provisions for probable losses and indemnification on mortgage loans sold to investors, is reasonable based on available information. Moreover, the Company has successfully negotiated acceptable settlement terms with other third party investors that asserted claims for mortgage loan losses against SecurityNational Mortgage.

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

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

Mortality and Morbidity Risks. The risk that the Company's actuarial assumptions may differ from actual mortality and morbidity experiences may cause the Company's products to be underpriced, may cause the Company to liquidate insurance or other claims earlier than anticipated, and other potentially adverse consequences to the business. The

Company minimizes this risk through sound underwriting practices, asset and liability duration matching, and sound actuarial practices.

Estimates. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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

Liquidity and Capital Resources

The Company's life insurance subsidiaries and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the maturity of held to maturity investments or sale of other investments. The mortgage subsidiaries realize cash flow from fees generated by originating and refinancing mortgage loans and interest earned on mortgages sold to investors. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses on the issuance of new policies, the maintenance of existing policies, debt service, and to meet current operating expenses.

During the twelve months ended December 31, 2014 and 2013, the Company's operations provided cash of \$31,016,000 and \$36,652,000, respectively. This was due primarily to a \$7,362,000 increase in 2014 and a \$15,668,000 increase in 2013 in the balance of mortgage loans sold to investors.

The Company's liability for future life, annuity and other benefits is expected to be paid out over the long-term due to the Company's market niche of selling funeral plans. Funeral plans are small face value life insurance that will pay the costs and expenses incurred at the time of a person's death. A person generally will keep these policies in force and will not surrender them prior to a person's death. Because of the long-term nature of these liabilities, the Company is able to hold to maturity its bonds, real estate and mortgage loans thus reducing the risk of liquidating these long-term investments as a result of any sudden changes in market values.

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

The Company's investment policy is also to invest predominantly in fixed maturity securities, real estate, mortgage loans, and warehousing of mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to \$134,406,000 as of December 31, 2014 compared to \$142,854,000 as of December 31, 2013. This represents 30.9% and 37.1% of the total investments as of December 31, 2014, and 2013, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. At December 31, 2014, 6.8% (or \$9,192,000) and at December 31, 2013, 4.6% (or \$6,621,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non-investment grade.

The Company has classified certain of its fixed income securities, including high-yield securities, in its portfolio as available for sale, with the remainder classified as held to maturity. In accordance with Company policy, however, any such securities purchased in the future will be classified as held to maturity. Notwithstanding, business conditions may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event, the Company believes it could sell short-term investment grade securities before liquidating higher yielding longer-term securities.

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

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

	-200 bps	-100 bps	+100 bps	+200 bps
Change in Market Value (in thousands)	\$ 22,870	\$ 11,111	\$ (13,270)	\$ (23,869)

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At December 31, 2014 and December 31, 2013, the life insurance subsidiaries exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity, and bank debt and notes payable were \$126,111,000 as of December 31, 2014, as compared to \$106,040,000 as of December 31, 2013. Stockholders' equity as a percent of total capitalization was 77.0% and 82.8% as of December 31, 2014 and December 31, 2013, respectively. Bank debt and notes payable increased by \$10,731,000 for the twelve months ended December 31, 2014 as compared to December 31, 2013, thus decreasing the stockholders equity percentage.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance was 7.0% in 2014 as compared to a rate of 5.7% for 2013.

At December 31, 2014, \$37,528,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of state insurance regulatory authorities.

Forward-Looking Statements

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

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

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

Off-Balance Sheet Agreements

At December 31, 2014, the Company was contingently liable under a standby letter of credit aggregating \$699,671, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's captive insurance program. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid. Accordingly, the estimated fair value of these instruments is zero.

At December 31, 2014, the Company was contingently liable under a standby letter of credit aggregating \$1,250,000, to be used as collateral to cover any contingency related to claims filed in states where the Company is licensed. The Company does not expect any material losses to result from the issuance of the standby letter of credit. Accordingly, the estimated fair value of these instruments is zero.

At December 31, 2014 the Company was contingently liable under two standby letters of credit aggregating \$139,220, issued as security deposits to guarantee payment of final bills for electric and gas utility services for a commercial real estate property owned by the Company in Wichita, Kansas.

SecurityNational Mortgage has entered into loan purchase agreements to originate and sell mortgage loans to two unaffiliated warehouse banks. On March 19, 2012, SecurityNational Mortgage and Wells Fargo Bank, N.A. (“Wells Fargo”) entered into a loan purchase agreement in which Wells Fargo agreed to provide a warehouse line of up to \$55,000,000 to fund certain approved mortgage loans originated by SecurityNational Mortgage. On August 6, 2012, SecurityNational Mortgage and Wells Fargo agreed to an amendment to the March 19, 2012 loan purchase agreement to increase the amount of the warehouse line available to fund mortgage loans originated by SecurityNational Mortgage from \$55,000,000 to \$75,000,000.

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

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

As of December 31, 2014, there was \$149,098,000 in mortgage loans in which settlements with third party investors were still pending.

The total of the Company unfunded residential construction loan commitments as of December 31, 2014 was \$16,236,000.

The Company has entered into a Construction and Term Loan Agreement (“Agreement”) between Zions First National Bank, a national banking association, and Dry Creek Property Development, Inc., the Company’s wholly owned subsidiary. Under the terms of this Agreement the Company agrees to pay Zions First National Bank the principal sum of \$27,500,000 plus interest. These funds are being used for the construction of a 282-unit multifamily development in Sandy City Utah. As of December 31, 2014, the Company has used \$13,085,000 of these funds.

Contractual Obligations

The Company’s contractual obligations as of December 31, 2014 and the payments due by period are shown in the following table:

	Less than 1 year	1-3 years	4-5 years	over 5 years	Total
Non-cancelable operating leases	\$ 4,299,185	\$ 7,635,126	\$ 616,791	\$ 20,536	\$ 12,571,638
Notes and contracts payable	5,248,043	16,228,894	246,336	7,297,105	29,020,378
	\$ 9,547,228	\$ 23,864,020	\$ 863,127	\$ 7,317,641	\$ 41,592,016

Variable Interest Entities

In conjunction with the Company's casualty insurance program, limited equity interests are held in a captive insurance entity. This program permits the Company to self-insure a portion of losses, to gain access to a wide array of safety-related services, to pool insurance risks and resources in order to obtain more competitive pricing for administration and reinsurance and to limit its risk of loss in any particular year. This entity meets the definition of a variable interest entity (VIE); however, under generally accepted accounting principles, "there is not a requirement to include this entity in the consolidated financial statements." The maximum exposure to loss related to the Company's involvement with this entity is limited to approximately \$699,671, which is collateralized under a standby letter of credit issued on the insurance entity's behalf. See Note 9, "Reinsurance, Commitments and Contingencies," for additional discussion of commitments associated with the insurance program and Note 1, "Significant Accounting Policies", for further information on a standby letter of credit. As of December 31, 2014, there are no other entities that met the definition of a variable interest entity.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page No.
Financial Statements:	
Report of Independent Registered Public Accounting Firm	37
Consolidated Balance Sheets, December 31, 2014 and 2013	39
Consolidated Statements of Earnings for the Years Ended December 31, 2014, 2013 and 2012	41
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012	42
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2014, 2013 and 2012	43
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012	44
Notes to Consolidated Financial Statements	46

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for the years then ended. Our audits also included the financial statement Schedule II, Schedule IV and Schedule V. The Company's management is responsible for these consolidated financial statements and schedules. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Security National Financial Corporation and Subsidiaries as of December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Salt Lake City, Utah
March 31, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of their operations and their cash flows for the year ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Supplemental Schedule II, IV and V is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ HANSEN, BARNETT & MAXWELL, P.C.
Salt Lake City, Utah
March 30, 2013

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
Assets		
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	\$ 135,018,347	\$ 143,466,494
Equity securities, available for sale, at estimated fair value	6,752,750	4,498,756
Mortgage loans on real estate and construction loans held for investment, net of allowances for loan losses of \$2,003,055 and \$1,652,090 for 2014 and 2013	120,050,072	102,781,878
Real estate held for investment, net of accumulated depreciation of \$10,875,419 and \$9,658,599 for 2014 and 2013	111,411,351	99,760,475
Policy and other loans, net of allowance for doubtful accounts of \$693,413 and \$269,175 for 2014 and 2013	34,125,428	19,724,006
Short-term investments	27,059,495	12,135,719
Accrued investment income	2,483,253	2,485,054
Total investments	436,900,696	384,852,382
Cash and cash equivalents	30,855,320	38,203,164
Mortgage loans sold to investors	67,534,400	77,179,652
Receivables, net	14,544,093	11,652,572
Restricted assets	9,347,797	6,670,980
Cemetery perpetual care trust investments	2,645,423	2,414,883
Receivable from reinsurers	12,036,263	12,033,877
Cemetery land and improvements	10,848,085	10,631,573
Deferred policy and pre-need contract acquisition costs	50,307,503	45,737,940
Mortgage servicing rights	7,834,747	4,844,101
Property and equipment, net	11,307,714	11,523,160
Value of business acquired	8,547,627	8,680,845
Goodwill	2,765,570	677,039
Other	5,594,324	3,655,286
Total Assets	\$671,069,562	\$618,757,454

See accompanying notes to consolidated financial statements.

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

	December 31	
	2014	2013
Liabilities and Stockholders' Equity		
Liabilities		
Future life, annuity, and other benefits	\$476,727,465	\$452,130,649
Unearned premium reserve	4,961,937	5,173,785
Bank and other loans payable	29,020,378	18,289,438
Deferred pre-need cemetery and mortuary contract revenues	13,242,143	13,176,476
Cemetery perpetual care obligation	3,406,718	3,266,131
Accounts payable	1,789,387	2,850,575
Other liabilities and accrued expenses	24,408,666	20,167,363
Income taxes	20,421,767	15,951,848
Total liabilities	573,978,461	531,006,265
Commitments and Contingencies	-	-
Stockholders' Equity		
Common Stock:		
Class A: common stock - \$2.00 par value; 20,000,000 shares authorized; issued 12,459,240 shares in 2014 and 11,807,287 shares in 2013	24,918,480	23,614,574
Class B: non-voting common stock - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Class C: convertible common stock - \$2.00 par value; 2,000,000 shares authorized; issued 1,394,069 shares in 2014 and 1,330,191 shares in 2013	2,788,138	2,660,382
Additional paid-in capital	25,931,119	23,215,875
Accumulated other comprehensive income, net of taxes	1,438,566	1,218,396
Retained earnings	44,101,252	39,666,587
Treasury stock, at cost - 986,264 Class A shares and -0- Class C shares in 2014; 1,141,021 Class A shares and -0- Class C shares in 2013	(2,086,454)	(2,624,625)
Total stockholders' equity	97,091,101	87,751,189
Total Liabilities and Stockholders' Equity	\$671,069,562	\$618,757,454

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31		
	2014	2013	2012
Revenues:			
Insurance premiums and other considerations	\$53,008,679	\$50,471,658	\$48,216,327
Net investment income	28,303,740	20,354,002	21,915,577
Net mortuary and cemetery sales	11,426,308	12,000,375	10,864,497
Realized gains on investments and other assets	1,918,176	1,418,051	1,424,510
Other than temporary impairments	(164,240)	(336,226)	(1,207,632)
Mortgage fee income	128,696,998	128,800,930	151,887,838
Other	3,747,013	2,606,230	1,159,052
Total revenues	226,936,674	215,315,020	234,260,169
Benefits and expenses:			
Death benefits	27,100,278	26,048,325	22,277,037
Surrenders and other policy benefits	2,689,686	2,486,611	1,969,051
Increase in future policy benefits	18,060,151	19,594,890	21,435,191
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	6,892,978	5,181,837	5,449,429
Selling, general and administrative expenses:			
Commissions	59,876,675	65,979,564	83,840,427
Personnel	49,360,406	42,795,925	35,469,486
Advertising	4,584,436	4,837,714	4,050,187
Rent and rent related	6,135,876	5,457,988	4,503,285
Depreciation on property and equipment	2,177,165	1,621,069	1,258,097
Provision for loan losses and loss reserve	3,053,403	1,751,472	4,239,418
Costs related to funding mortgage loans	6,877,069	6,635,290	6,931,045
Other	22,800,066	18,328,005	16,017,975
Interest expense	2,994,429	2,853,701	3,744,293
Cost of goods and services sold – mortuaries and cemeteries	1,853,103	1,918,902	1,723,955
Total benefits and expenses	214,455,721	205,491,293	212,908,876
Earnings before income taxes	12,480,953	9,823,727	21,351,293
Income tax expense	(4,726,305)	(2,237,806)	(4,638,775)
Net earnings	\$7,754,648	\$7,585,921	\$16,712,518
Net earnings per Class A equivalent common share (1)	\$0.62	\$0.61	\$1.46
Net earnings per Class A equivalent common share - assuming dilution(1)	\$0.60	\$0.58	\$1.39
Weighted average Class A equivalent common shares outstanding (1)	12,518,743	12,366,029	11,427,568

Weighted average Class A equivalent common shares outstanding-assuming dilution (1)	12,928,009	12,981,576	12,026,849
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(1) Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends. The weighted-average shares outstanding includes the weighted-average Class A common shares and the weighted-average Class C common shares determined on an equivalent Class A common stock basis. Class C common shares have been adjusted retroactively for the effect of the 1-for-10 reverse stock split that was approved by the stockholders in 2014. Net earnings per common share represent net earnings per equivalent Class A common share. Net earnings per Class C common share is \$5.82, \$5.69 and \$13.90 per share for 2014, 2013 and 2012, respectively, and \$4.81, \$5.54 and \$13.67 per share-assuming dilution for 2014, 2013 and 2012, respectively.

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
Net earnings	\$7,754,648	\$7,585,921	\$16,712,518
Other comprehensive income:			
Changes in:			
Net unrealized gains (losses) on derivative instruments	286,018	(1,020,754)	852,168
Net unrealized gains (losses) on available for sale securities	(65,848)	304,791	427,748
Other comprehensive gain (loss)	220,170	(715,963)	1,279,916
Comprehensive income	\$7,974,818	\$6,869,958	\$17,992,434

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2014, 2013 and 2012

	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at January 1, 2012	\$ 19,277,596	\$ 2,027,195	\$ 19,487,565	\$ 654,443	\$ 22,546,623	\$(2,762,835)	\$ 61,230,587
Net earnings	-	-	-	-	16,712,518	-	16,712,518
Other comprehensive income	-	-	-	1,279,916	-	-	1,279,916
Stock based compensation	-	-	251,031	-	-	-	251,031
Exercise of stock options	1,371,506	63,782	(1,416,982)	-	-	-	18,306
Sale of treasury stock	-	-	(62,650)	-	-	382,401	319,751
Stock dividends	1,037,404	104,488	3,003,177	-	(4,145,069)	-	-
Conversion Class C to Class A	646	(645)	(1)	-	-	-	-
Balance at December 31, 2012	21,687,152	2,194,820	21,262,140	1,934,359	35,114,072	(2,380,434)	79,812,109
Net earnings	-	-	-	-	7,585,921	-	7,585,921
Other comprehensive loss	-	-	-	(715,963)	-	-	(715,963)
Stock based compensation	-	-	88,369	-	-	-	88,369
Exercise of stock options	719,572	422,422	(345,845)	-	-	(543,334)	252,815
Sale of treasury stock	-	-	428,794	-	-	299,143	727,937
Stock dividends	1,124,304	126,685	1,782,418	-	(3,033,406)	-	1
Conversion Class C to Class A	83,546	(83,545)	(1)	-	-	-	-
Balance at December 31, 2013	23,614,574	2,660,382	23,215,875	1,218,396	39,666,587	(2,624,625)	87,751,189

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Net earnings	-	-	-	-	7,754,648	-	7,754,648
Other comprehensive income	-	-	-	220,170	-	-	220,170
Stock based compensation	-	-	391,220	-	-	-	391,220
Reverse stock split true up	-	30	-	-	(30)	-
Exercise of stock options	108,824	-	(34,800)	-	-	74,024
Sale of treasury stock	-	-	361,679	-	-	538,171	899,850
Stock dividends	1,190,040	132,767	1,997,147	-	(3,319,954)	-
Conversion Class C to Class A	5,042	(5,041)	(2)	-	-
Balance at December 31, 2014	\$24,918,480	\$2,788,138	\$25,931,119	\$1,438,566	\$44,101,252	\$(2,086,454)	\$97,091,101

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
Cash flows from operating activities:			
Net earnings	\$7,754,648	\$7,585,921	\$16,712,518
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Realized gains on investments and other assets	(1,918,176)	(1,418,051)	(1,424,510)
Other than temporary impairments	164,240	336,226	1,207,632
Depreciation and amortization	4,389,472	4,160,760	2,877,743
Provision for losses on real estate accounts and loans receivable	743,386	(584,873)	(963,169)
Amortization of premiums and discounts	238,687	103,032	(762,301)
Provision for deferred and other income taxes	3,072,642	416,269	953,394
Policy and pre-need acquisition costs deferred	(10,159,895)	(9,666,040)	(7,885,882)
Policy and pre-need acquisition costs amortized	5,590,332	3,841,565	4,234,271
Value of business acquired amortized	1,302,646	1,340,272	1,215,158
Servicing asset at amortized cost, additions	(3,741,381)	(2,494,254)	(2,797,470)
Amortization of mortgage servicing rights	750,735	447,623	-
Stock based compensation expense	391,220	88,369	251,031
Benefit plans funded with treasury stock	899,850	727,937	319,751
Change in assets and liabilities:			
Land and improvements held for sale	(216,512)	(36,345)	26,054
Future life and other benefits	14,084,894	19,182,046	20,508,725
Receivables for mortgage loans sold	7,362,353	15,668,188	(18,807,956)
Other operating assets and liabilities	306,668	(3,046,791)	6,751,217
Net cash provided by operating activities	31,015,809	36,651,854	22,416,206
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(3,449,187)	(22,849,622)	(11,365,269)
Calls and maturities - fixed maturity securities	11,850,864	8,518,848	9,601,320
Securities available for sale:			
Purchase - equity securities	(5,996,993)	(2,807,367)	(1,685,983)
Sales - equity securities	3,851,664	4,528,862	3,028,509
Purchases of short-term investments	(18,587,022)	(19,827,619)	(51,823,941)
Sales of short-term investments	3,663,246	48,617,290	17,830,574
Sales (purchases) of restricted assets	(2,628,764)	2,777,715	(4,436,547)
Change in assets for perpetual care trusts	(230,921)	(255,204)	(265,435)
Amount received for perpetual care trusts	140,587	113,130	169,924
Mortgage, policy, and other loans made	(286,974,069)	(160,737,841)	(117,135,836)
Payments received for mortgage, policy, and other loans	267,763,998	133,260,148	131,565,100
Purchases of property and equipment	(1,520,443)	(3,570,334)	(3,022,393)
Disposal of property and equipment	894,805	33,900	30,524
Purchases of real estate held for investment	(19,317,567)	(26,749,586)	(143,278)
Sale of real estate held for investment	7,269,475	3,352,446	6,886,821
Cash received from reinsurance	13,553,864	2,466,175	34,485,224
Cash paid for purchase of subsidiaries, net of cash acquired	(15,011,193)	-	(180,591)
Net cash provided by (used in) investing activities	(44,727,656)	(33,129,059)	13,538,723

See accompanying notes to consolidated financial statements

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

	Years Ended December 31		
	2014	2013	2012
Cash flows from financing activities:			
Annuity contract receipts	\$ 10,051,662	\$ 9,385,168	\$ 8,939,017
Annuity contract withdrawals	(14,519,563)	(14,866,251)	(13,915,777)
Proceeds from stock options exercised	74,024	252,815	18,306
Repayment of bank loans and notes and contracts payable	(2,357,468)	(2,292,037)	(1,534,612)
Proceeds from bank borrowings	13,115,348	13,314,594	241,875
Change in line of credit borrowings	-	(4,608,204)	(11,791,796)
Net cash provided by (used in) financing activities	6,364,003	1,186,085	(18,042,987)
Net change in cash and cash equivalents	(7,347,844)	4,708,880	17,911,942
Cash and cash equivalents at beginning of year	38,203,164	33,494,284	15,582,342
Cash and cash equivalents at end of year	\$ 30,855,320	\$ 38,203,164	\$ 33,494,284
Non Cash Investing and Financing Activities			
Mortgage loans foreclosed into real estate	\$ 981,820	\$ 3,930,297	\$ 17,019,870

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies

General Overview of Business

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The presentation of certain amounts in prior years has been reclassified to conform to the 2014 presentation.

Principles of Consolidation

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

Investments

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

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

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

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

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

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies (Continued)

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

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

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

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

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

Cash and Cash Equivalents

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

Cemetery Land and Improvements

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

Property and Equipment

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

over the lesser of the useful life or remaining lease terms.

Recognition of Insurance Premiums and Other Considerations

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

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.

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

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

Mortgage Servicing Rights

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

The total residential mortgage loans serviced for others consist primarily of agency conforming fixed-rate mortgage loans. The value of MSRs is derived from the net cash flows associated with the servicing contracts. The Company receives a servicing fee of generally about 0.250% annually on the remaining outstanding principal balances of the loans. Based on the result of the cash flow analysis, an asset or liability is recorded for mortgage servicing rights. The servicing fees are collected from the monthly payments made by the mortgagors. The Company generally receives other remuneration including rights to various mortgagor-contracted fees such as late charges, and collateral reconveyance charges and the Company is generally entitled to retain the interest earned on funds held pending remittance of mortgagor principal, interest, tax and insurance payments.

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies (Continued)

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

Derivatives

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

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

The Company estimates the fair value of a mortgage loan commitment based on the change in estimated fair value of the underlying mortgage loan and the probability that the mortgage loan will fund within the terms of the commitment. The change in fair value of the underlying mortgage loan is measured from the date the mortgage loan commitment is issued. Therefore, at the time of issuance, the estimated fair value is zero. Following issuance, the value of a mortgage loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans. Fallout rates derived from the Company's recent historical empirical data are used to estimate the quantity of mortgage loans that will fund within the terms of the commitments.

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

Allowance for Doubtful Accounts and Loan Losses and Impaired Loans

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies (Continued)

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

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

Loan Loss Reserve

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

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

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

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

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

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

Future Life, Annuity and Other Policy Benefits

Future policy benefit reserves for traditional life insurance are computed using a net level method, including assumptions as to investment yields, mortality, morbidity, withdrawals, and other assumptions based on the life

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies (Continued)

Participating Insurance

Participating business constituted 2%, 2%, and 2% of insurance in force for 2014, 2013 and 2012, respectively. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors.

Reinsurance

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

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

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

Pre-need Sales and Costs

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

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

Pre-need contract sales of cemetery merchandise (primarily markers and vaults) - revenue and costs associated with the sale of pre-need cemetery merchandise is deferred until the merchandise is delivered. Pre-need contract sales of 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 accounting principles generally accepted in the United States of America. Obtaining costs, which include only costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral

services, are deferred until the merchandise is delivered or services are performed.

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies (Continued)

Mortgage Fee Income

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

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

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

Loan purchase commitments generally specify a date 30 to 45 days after delivery upon which the underlying loans should be settled. Depending on market conditions, these commitment settlement dates can be extended at a cost to the Company. Generally, a ten day extension will cost .125% (12.5 basis points) of the loan amount. The Company's historical data shows that 99% of all loans originated by its mortgage subsidiaries are generally settled by the investors as agreed within 16 days after delivery. There are situations, however, when the Company determines that it is unable to enforce the settlement of loans rejected by the third-party investors and that it is in its best interest to repurchase those loans from the warehouse banks.

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 sales revenue is reversed. Any loan that later becomes delinquent is evaluated by the Company at that time and any impairment is adjusted accordingly.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies (Continued)

Determining Lower of Cost or Market

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

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

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

For mortgages originated and held for investment, mortgage fee income and related expenses are recognized when the loan is originated.

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

Commercial Loans

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

Residential and Construction Loans

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

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

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies (Continued)

Goodwill

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

Long-lived Assets

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

Income Taxes

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

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

Earnings Per Common Share

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

Stock Based Compensation

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

1) Significant Accounting Policies (Continued)

Concentration of Credit Risk

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

Advertising

The Company expenses advertising costs as incurred.

Recent Accounting Pronouncements

Accounting Standards Update (“ASU”) No. 2014-17: “Business Combinations (Topic 805) – Pushdown Accounting” – Issued in November 2014, ASU 2014-17 provides guidance for determining whether and at what threshold an acquiree (acquired entity) that is a business or nonprofit activity can reflect the acquirer’s accounting and reporting basis (pushdown accounting) in its separate financial statements. The amendments in this Update provide that an acquired entity may elect to apply pushdown accounting in its separate financial statements upon a change-in-control event in which an acquirer obtains control of the acquired entity. The amendments in this Update are effective November 18, 2014. This new guidance did not have a significant impact on the Company’s results of operations or financial position.

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

ASU No. 2014-09: “Revenue from Contracts with Customers (Topic 606)” - Issued in May 2014, ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, “Revenue Recognition”, and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Insurance contracts are excluded from the scope of this new guidance. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2016. The Company is in the process of evaluating the potential impact of this standard, which is not expected to be material to the Company’s results of operations or financial position.

ASU No. 2014-14: "Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40)" - In January 2014, ASU No. 2014-14 amended ASC Topic 310, "Receivables" to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2014 and will not have a significant impact on the Company's results of operations or financial position.

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

2) Investments

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2014:				
Fixed maturity securities held to maturity carried at amortized cost:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 1,873,146	\$ 345,715	\$ -	\$ 2,218,861
Obligations of states and political subdivisions	1,736,489	221,893	(5,278)	1,953,104
Corporate securities including public utilities	126,533,483	15,841,536	(980,357)	141,394,662
Mortgage-backed securities	4,263,206	305,381	(11,894)	4,556,693
Redeemable preferred stock	612,023	22,032	-	634,055
Total fixed maturity securities held to maturity	\$ 135,018,347	\$ 16,736,557	\$ (997,529)	\$ 150,757,375

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

2) Investments (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2014:				
Equity securities available for sale at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 7,179,010	\$ 393,873	\$ (820,133)	\$ 6,752,750
Total securities available for sale carried at estimated fair value	\$ 7,179,010	\$ 393,873	\$ (820,133)	\$ 6,752,750
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	\$ 53,592,433			
Residential construction	33,071,938			
Commercial	35,388,756			
Less: Allowance for loan losses	(2,003,055)			
Total mortgage loans on real estate and construction loans held for investment	\$ 120,050,072			
Real estate held for investment - net of depreciation	\$ 111,411,351			
Policy and other loans at amortized cost:				
Policy loans	\$ 7,011,012			
Other loans	27,807,829			
Less: Allowance for doubtful accounts	(693,413)			

Total policy and other loans

at amortized cost \$ 34,125,428

Short-term investments at

amortized cost \$ 27,059,495

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

2) Investments (Continued)

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2013 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2013:				
Fixed maturity securities held to maturity carried at amortized cost:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 2,284,261	\$ 298,901	\$ -	\$ 2,583,162
Obligations of states and political subdivisions	1,790,661	197,340	(9,404)	1,978,597
Corporate securities including public utilities	134,257,468	10,513,448	(1,394,919)	143,375,997
Mortgage-backed securities	4,522,081	206,617	(11,351)	4,717,347
Redeemable preferred stock	612,023	12,994	(5,900)	619,117
Total fixed maturity securities held to maturity	\$ 143,466,494	\$ 11,229,300	\$ (1,421,574)	\$ 153,274,220

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2014, 2013 and 2012

2) Investments (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2013:				
Equity securities available for sale at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 4,783,936	\$ 240,206	\$ (525,386)	\$ 4,498,756
Total securities available for sale carried at estimated fair value	\$ 4,783,936	\$ 240,206	\$ (525,386)	\$ 4,498,756
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	\$ 49,868,486			
Residential construction	12,912,473			
Commercial	41,653,009			
Less: Allowance for loan losses	(1,652,090)			