

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

FORM 10Q

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

For Quarter Ended March 31, 1996 Commission File Number: 0-9341

SECURITY NATIONAL FINANCIAL CORPORATION
Exact Name of Registrant.

UTAH

87-0345941

(State or other jurisdiction
of incorporation or organization)

IRS Identification Number

5300 South 360 West, Salt Lake City, Utah

84123

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including Area Code (801) 264-1060

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 the number of shares outstanding of each of the issuer's classes of common stock, net of treasury stock, as of the close of the period covered by this report.

Class A Common Stock, \$2.00 par value 3,218,801

Title of Class Number of Shares
Outstanding as of
March 31, 1996

Class C Common Stock, \$.40 par value 2,362,545

Title of Class Number of Shares
Outstanding as of
March 31, 1996

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10Q

QUARTER ENDED MARCH 31, 1996

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

	Page No.
Item 1. Financial Statements	
Consolidated Statements of Earnings - Three months ended March 31, 1996 and 1995	3
Consolidated Balance Sheets - March 31, 1996 and December 31, 1995	4-5
Consolidated Statements of Cash Flows - Three months ended March 31, 1996 and March 31, 1995	6-7
Notes to Consolidated Financial Statements	8
Item 2 Management's Discussion and Analysis of Summary of Earnings and Financial Condition.	8-12

PART II - OTHER INFORMATION

Other Information.12
Signature Page13

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended March 31, 1996 (Unaudited) -----	1995 (Unaudited) -----
REVENUES:		
Insurance premiums and other considerations	\$1,526,630	\$1,493,350
Net investment income	1,923,063	1,679,579
Net mortuary and cemetery sales	2,141,112	1,549,320
Realized gains on investments and other assets	5,898	1,514
Mortgage fee income	2,519,360	316,429
Other	31,528	106,677
	-----	-----
Total Revenues	\$8,147,591	\$5,146,869
 BENEFITS AND EXPENSES:		
Death benefits	\$497,359	\$513,171
Surrenders and other policy benefits	974,094	721,212
Increase in future policy benefits	376,331	322,432
Amortization of deferred policy acquisition costs and cost of insurance acquired	244,267	229,883
General and administrative expenses:		
Commissions	1,585,000	482,213
Salaries	1,082,819	741,660
Other	1,989,778	1,100,074
Interest expense	404,484	219,767
Cost of goods and services sold of the mortuaries and cemeteries	588,736	461,145
	-----	-----
Total benefits and expenses	\$7,742,868	\$4,791,557
	-----	-----
Earnings before income taxes	\$ 404,723	\$ 355,312
Income tax expense	(113,493)	(91,965)
	-----	-----
Net earnings	\$ 291,230	\$ 263,347
	=====	=====
 Earnings per share	 \$0.08	 \$0.08
	=====	=====
Weighted average outstanding common shares	3,839,648	3,322,310
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 1996 (Unaudited)	December 31, 1995
	-----	-----
Assets:		
Investments:		
Fixed maturity securities held to maturity, at amortized cost	\$50,277,144	\$51,143,361
Equity securities available for sale, at market	4,504,413	4,556,565
Mortgage loans on real estate	10,402,846	10,434,844
Real estate, net of accumulated depreciation	7,643,207	7,669,296
Policy loans	2,986,980	3,007,596
Other loans	268,411	294,165
Short-term investments	1,730,085	722,593
	-----	-----
Total insurance related investments	77,813,086	77,828,420
Restricted assets of cemeteries and mortuaries	3,063,091	2,986,658
Cash	1,998,843	7,710,155
Receivables:		
Trade contracts	5,488,086	5,552,888
Mortgage loans sold to investors	16,488,696	19,839,657
Receivable from agents	497,472	471,937
Other	207,319	623,628
	-----	-----
Total receivables	22,681,573	26,488,110
Allowance for doubtful accounts	(2,338,418)	(2,311,450)
	-----	-----
Net receivables	20,343,155	24,176,660
Land and improvements held for sale	7,739,245	7,568,016
Accrued investment income	1,133,700	1,113,945
Deferred policy acquisition costs	4,426,277	4,509,974
Property, plant and equipment, net	6,405,305	6,432,615
Cost of insurance acquired	3,800,361	4,007,804
Excess of cost over net assets of acquired subsidiaries	1,436,953	1,461,025
Other	472,173	417,409
	-----	-----
Total Assets	\$128,632,189	\$138,212,681
	=====	=====

See accompanying notes to consolidated financial statements.

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

	March 31, 1996 (Unaudited)	December 31, 1995
	-----	-----
Liabilities:		
Future life, annuity, and other benefits	\$77,097,919	\$76,867,685
Line of credit of financing of mortgage loans	5,166,426	14,468,354
Bank loans payable	7,267,510	7,485,391
Notes and contracts payable	5,037,369	5,175,317
Estimated future costs of pre-need sales	5,985,256	6,065,875
Payable to endowment care fund	123,977	12,520
Accounts payable	913,486	1,193,859
Other liabilities and accrued expenses	2,331,305	2,402,842
Income taxes	2,735,567	2,622,245
	-----	-----
Total Liabilities	106,658,815	116,294,088
Stockholders' Equity:		
Common stock:		
Class A: \$2 par value, authorized 10,000,000 shares, issued 3,819,415 shares in 1996 and 3,819,415 shares in 1995	7,638,830	7,638,830
Class C: \$0.40 par value, authorized 7,500,000 shares, issued 2,388,040 shares in 1996 and 2,388,040 shares in 1995	955,216	955,216
	-----	-----
Total common stock	8,594,046	8,594,046
Additional paid-in capital	7,879,578	7,879,578
Unrealized appreciation of investments	248,180	484,629
Retained earnings	7,051,202	6,759,972
Treasury stock at cost (600,614 Class A shares and 25,495 Class C shares in 1996; 598,614 Class A shares and 25,495 Class C shares in 1995, held by affiliated companies)	(1,799,632)	(1,799,632)
	-----	-----
Total Stockholders' Equity	21,973,374	21,918,593
	-----	-----
Total Liabilities and Stockholders' Equity	\$128,632,189	\$138,212,681
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 1996 (Unaudited)	1995 (Unaudited)
	-----	-----
Cash flows from operating activities:		
Net earnings	\$291,230	\$263,347
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Realized gains on investments and other assets	(5,898)	(1,514)
Depreciation	494,490	164,360
Provision for losses on accounts and loans receivable	26,968	8,951
Amortization of goodwill, premiums, and discounts	18,150	(38,259)
Income taxes	113,322	92,381
Policy acquisition costs deferred	(250,570)	(199,636)
Policy acquisition costs amortized	334,267	229,883
Cost of insurance acquired amortized	207,443	56,686
Change in assets and liabilities:		
Land and improvements held for sale	(171,229)	(1,218,290)
Future life and other benefits	376,649	455,635
Receivables for mortgage loans sold	(3,350,961)	(86,832)
Other operating assets and liabilities	6,583,591	(405,186)
	-----	-----
Net cash provided by (used in) operating activities	4,667,452	(678,474)
Cash flows from investing activities:		
Securities held to maturity:		
Calls and maturities - fixed maturity securities	876,517	504,416
Securities available for sale:		
Purchases - equity securities	(5,981)	--
Purchases of short-term investments	(2,227,307)	(283,034)
Sales of short-term investments	1,219,815	1,601,015
Purchases of restricted assets	(76,433)	(99,657)
Mortgage, policy, and other loans made	(155,330)	(5,303,376)
Payments received for mortgage, policy, and other loans	242,102	3,255,822
Purchases of property, plant, and equipment	(393,276)	(16,601)
Purchases of real estate	(54,699)	(254,118)
	-----	-----
Net cash used in investing activities	(574,592)	(595,533)

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

	Three Months Ended March 31, 1996 (Unaudited) -----	1995 (Unaudited) -----
Cash flows from financing activities:		
Annuity receipts	786,349	558,564
Annuity withdrawal	(932,764)	(465,191)
Repayment of bank loans and notes and contracts payable	(355,829)	(280,566)
Proceeds from borrowings on bank loans and notes and contracts payable	--	1,078,947
Net decrease in line of credit for financing of mortgage loans	(9,301,928)	--
	-----	-----
Net cash (used in) provided by financing activities	(9,804,172)	891,754
	-----	-----
Net decrease in cash	(5,711,312)	(382,253)
Cash at beginning of year	7,710,155	2,060,876
Cash at end of year	<u>\$ 1,998,843</u>	<u>\$ 1,678,623</u>

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
March 31, 1996 and 1995
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1996, are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 1995, included in the Company's Annual Report on Form 10-K (file number 0-9341).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS
Results of Operations

Overview

The Company's operations over the last three years generally reflect four trends or events which the Company expects to continue: (i) increased attention to "niche" insurance products, such as the Company's funeral plan policies, annuities, and limited pay accident policies; (ii) decreased general and administrative costs as a percentage of revenue through efforts to reduce operating costs and through eliminating unnecessary duplication of costs at acquired companies; (iii) emphasis on high margin cemetery and mortuary business; and (iv) capitalizing on the strong economy in the intermountain west by originating and refinancing mortgage loans.

First Quarter 1996 Compared to First Quarter 1995

Total revenues increased by \$3,001,000 (58%), from \$5,147,000 for the three months ended March 31 1995, to \$8,148,000 for the three months ended March 31, 1996. Contributing to this increase in total revenues was a \$34,000 increase in insurance premiums and other considerations, a \$243,000 increase in net investment income, a \$592,000 increase in net mortuary and cemetery sales, and a \$2,203,000 increase in mortgage fee income.

Net investment income increased by \$243,000, from \$1,680,000 for the three months ended March 31, 1995, to \$1,923,000 for the three months ended March 31, 1996. This increase was attributable to the Company's emphasis on investing its cash and short-term investments in higher-yielding long term investments.

Mortuary and cemetery sales increased by \$592,000, from \$1,549,000 for the three months ended March 31, 1995 to \$2,141,000 for the three months ended March 31, 1996. This increase was primarily related to the acquisition of Greer-Wilson Funeral Home in April 1995.

Mortgage fee income increased \$2,203,000, from \$316,000 for the three months ended March 31, 1995, to \$2,519,000 for the three months ended March 31, 1996. This increase was the result of a strong economy, and an increased demand for housing in the intermountain area which has created activity for loan originations.

Total benefits and expenses were \$4,792,000 for the three months ended March 31, 1995, which is 93% of total revenue of the Company, as compared to \$7,743,000, or 95% of total revenues for the three months ended March 31, 1996. Death benefits, surrenders and other policy benefits and increase in future policy benefits increased by \$291,000, from \$1,557,000 for the three months ended March 31, 1995, to \$1,848,000 for the three months ended March 31, 1996. This increase is primarily due to the maturing of the policies in force and the acquisition of Civil Service Employees Life Insurance Company in December 1995.

Amortization of deferred policy acquisition costs has increased by \$14,000, from \$230,000 for the three months ended March 31, 1995, to \$244,000 for the three months ended March 31, 1996. This increase was also due to the maturing of the policies in force.

The increase in general and administrative expenses resulted from an increase in operations at Security National Mortgage, the acquisitions of Greer-Wilson Funeral Home in April 1995 and Civil Service Employees Life Insurance Company in December 1995.

Interest expense increased by \$185,000, from \$220,000 for the three months ended March 31, 1995, to \$405,000 for the three months ended March 31, 1996. This increase was primarily due to the acquisitions of Greer-Wilson Funeral Home in April 1995 and Civil Service Employees Life Insurance Company in December 1995.

Cost of goods and services sold of the mortuaries and cemeteries increased by \$128,000, from \$461,000 for the three months ended March 31, 1995, to \$589,000 for the three months ended March 31, 1996. This increase of goods and services sold is consistent with the increase in sales at the cemeteries and mortuaries.

Liquidity and Capital Resources

The Company's life insurance subsidiary 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 subsidiary realizes 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 operating expenses.

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; however, to date, that has not been necessary. 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 to invest predominately in fixed maturity securities and warehouse mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiary. Bonds owned by the insurance subsidiary amounted to \$50,277,000, at amortized cost as of March 31, 1996 compared to \$51,143,000 at amortized cost as of December 31, 1995. This represents 65% of the total insurance related investments in 1996 as compared to 66% in 1995. Generally all bonds owned by the life insurance subsidiary are rated by the National Association of Insurance Commissioners (NAIC). Under this rating system, there are six categories used for rating bonds. At March 31, 1996, 3.67% (\$1,845,000) and at December 31, 1995, 3.61 (\$1,851,000) of the Company's total investment in bonds were invested in bonds in rating categories three through six which are considered non-investment grade.

Based on preliminary information, the Company plans to hold its fixed income securities, including high-yield securities, in its portfolio to maturity. Business conditions, however, 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 high-yielding longer term securities.

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, 1995 and 1994, the life subsidiary exceeded the regulatory criteria.

Stockholders' equity as a percent of assets is one measure of capital strength. At March 31, 1996 the Company's ratio increased to 17% up from 16% at December 31, 1995. This increase is primarily due to the mortgage company utilizing less of the warehouse line of credit, by financing the mortgage loans through bank debt, and then selling them to investors within 45 days, and repaying the debt. This transaction results in a receivable for mortgage loans sold to investors which are offset by a bank loan payable. Computation of the ratio without this transaction results in the Company's debt to total assets at 11% as of March 31, 1996 and 11% at December 31, 1995 and the Company's equity to total assets to 20% as of March 31, 1996 and 18% at December 31, 1995.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 1995 was 10.5%, as compared to a rate of 8% in 1994.

In February 1995, the Company purchased approximately 100 acres of real property (the "property") located in San Diego, California; approximately 35 acres of which will be used for the development of a cemetery. The purchase price of the property was \$1,162,000, \$100,000 of which was paid in cash and the balance of \$1,062,000, together with interest thereon at the rate of nine percent per annum, to be paid in 12 monthly payments of \$5,000, thereafter in equal monthly payments of \$10,000; however, interest does not accrue on any part of the principal balance until February 3, 1996. A principal payment of \$100,000 was made in December 1995. The Company has obtained approval from the federal government and the California Cemetery Board to operate a cemetery on the property. The development of the cemetery will be financed internally. Initial development of 35 acres to operate as a cemetery is estimated to cost approximately \$560,000.

In November 1995, the Company entered into a purchase sale agreement with Myers Mortuary for the sale of the Company's 65% interest in Evergreen Memorial Partnership and the Company's 50% interest in Evergreen Management Corporation. As consideration for the sale of these entities, Myers Mortuary paid \$746,123 in satisfaction of the indebtedness that Evergreen Memorial Partnership owes to the Company. Myers Mortuary has also agreed to pay \$200,000 to the Company in four equal annual installments of \$50,000, beginning as of October 31, 1996. In addition, Myers Mortuary will pay a \$10.00 royalty to the Company for each adult space sold in Evergreen Memorial Park over the next ten years, beginning as of January 1, 1996.

In December 1995, the Company purchased all of the outstanding shares of common stock of Civil Service Employees Life Insurance Company from Civil Service Employees Insurance Company for a total cost of \$5,200,000, which included a promissory note in the amount of \$1,063,000. Interest on the promissory note accrues at 7% per annum. Principal payments are to be made in seven equal annual installments of \$151,857, beginning on December 29, 1996. Accrued interest will be payable annually beginning on December 29, 1996.

In March 1995, the Company purchased 97,800 shares of common stock of Greer-Wilson Funeral Home, Inc., ("Greer-Wilson") representing 97.8% of the total issued and outstanding shares of common stock of Greer-Wilson for a total consideration of \$1,218,000, which included a note to the former owners for \$588,000.

At March 31, 1996, \$9,513,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's insurance subsidiary. The life insurance subsidiary cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

Part II Other Information:

- Item 1. Legal Proceedings
NONE
- Item 2. Changes in Securities
NONE
- Item 3. Defaults Upon Senior Securities
NONE
- Item 4. Submission of Matters to a Vote of Security Holders
NONE
- Item 5. Other Information
NONE
- Item 6. Exhibits and Reports on Form 8-K
The Company filed a report on Form 8-K with the Securities and Exchange Commission on January 16, 1996. The report supplied information under Section 2 thereof, captioned "Acquisition or Disposition of Assets," which was related to the acquisition of Civil Service Employees Life Insurance Company.

(a)(3) Exhibits

The following Exhibits are filed herewith pursuant to Rule 601 of Regulation S-K or are incorporated by reference to previous filings.

Exhibit

Table No	Document
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(a)(3) Exhibits:

EX-27

SIGNATURES

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

REGISTRANT
SECURITY NATIONAL FINANCIAL CORPORATION
Registrant

DATED: May 22, 1996 By: George R. Quist,
Chairman of the Board,
President and Chief Executive
Officer (Principal Executive
Officer)

DATED: May 22, 1996 By: Scott M. Quist
First Vice President, General
Counsel and Treasurer
(Principal Financial and
Accounting Officer)

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MAR-31-1995
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