Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001, 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 0-9341

Security National Financial Corporation
(Exact name of registrant as specified in its Charter)

UTAH	87-0345941
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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(d) of the Act:

Title of each Class	Name of each exchange on which registered
None	None

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

Class A Common Stock, $2.00 Par Value
(Title of Class)

Class C Common Stock, $0.20 Par Value
(Title of Class)

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

Yes [X] No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 28, 2002 was approximately $10,335,000.

As of March 31, 2002, registrant had issued and outstanding 4,068,875 shares of Class A Common Stock and 6,045,098 shares of Class C Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 2002 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

PART I

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 34 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 five cemeteries in the state of Utah and one in the state of California and eight mortuaries in the state of Utah and five in the state of Arizona. The Company also engages in pre-need selling of funeral, cemetery and cremation services through its Utah operations. Many of the insurance agents also sell pre-need funeral, cemetery and cremation services. The mortgage loan segment is an approved governmental and conventional lender that originates and underwrites residential and commercial loans for new construction and existing homes and real estate projects.

The design and structure of the Company is that each segment is related to the others and contributes to the profitability of the other segments of the Company. Because of the increasing cemetery and mortuary operations in Utah, California and Arizona, the Company enjoys a level of public awareness that assists in the sales and marketing of insurance and pre-need cemetery and funeral products. Security National Life Insurance Company ("Security National Life") invests its assets (representing in part the pre-paid funerals) in investments authorized by the Insurance Departments of the States of Florida and Utah. One such investment authorized by the Insurance Departments is high quality mortgage loans. Thus, while each segment is a profit center on a stand-alone basis, this horizontal integration of each segment will lead to improved profitability of the Company. The Company is also pursuing growth through acquisitions of both life insurance companies and cemeteries and mortuaries. The Company's acquisition business plan is based on reducing overhead cost of the acquired company by utilizing existing personnel, management, and technology while still providing quality service to the customers and policyholders.

The Company was organized as a holding company in 1979 when 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 grown through the direct sale of life insurance and annuities and through the acquisition of other insurance companies, including the acquisitions of Capital Investors Life Insurance Company in December 1994, Civil Service Employees Life Insurance Company in December 1995 and Southern Security Life Insurance Company in December 1998. Memorial Estates, Inc. and Memorial Mortuary became direct subsidiaries of the Company in the 1979 when the Company was organized as a holding company. These companies were acquired by Security National Life in 1973. The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies, including the acquisitions of Paradise Chapel Funeral Home, Inc. in 1989, Holladay Memorial Park, Inc., Cottonwood Mortuary, Inc. and Deseret Memorial, Inc. in 1991, Sunset Funeral Home in January 1994, Greer-Wilson Funeral Home, Inc. in April 1995 and Crystal Rose Funeral Home in February 1997. In July 1993, the Company formed Security National Mortgage Company ("Security National Mortgage") to originate and refinance mortgage loans. See Notes to Consolidated Financial Statements for additional disclosure and discussion regarding segments of the business.

Life Insurance

Products

The Company, through its insurance subsidiaries, Security National Life and Southern Security Life Insurance Company, issues and distributes selected lines of life insurance and annuities. The Company's life insurance business includes funeral plans and interest-sensitive whole life insurance, as well as other traditional life and accident and health insurance products but places specific marketing emphasis on funeral plans.

A funeral plan is a small face value life insurance policy that generally has a face coverage of up to $5,000. The Company believes that funeral plans represent a marketing niche that has lower competition since most insurance companies do not offer similar coverages. 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 are 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 to be distributed over a smaller policy size, and due to the simplified underwriting practices resulting in higher mortality costs.

Markets and Distribution

The Company is licensed to sell insurance in 34 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific "niche" markets. A "niche" market is an identifiable market which the Company believes is not emphasized by most insurers. The Company generally sells its life insurance products to people of all ages who have a need for insurance to protect the income of the wage earner of the family, to pay off debts at the time of death and for other estate planning purposes. Funeral plan policies are sold primarily to persons who range in age from 45 to 75. Even though people of all ages and income levels purchase funeral plans, the Company believes that the highest percentage of funeral plan purchasers are individuals who are older than 45 and have low to moderate income. A majority of the Company's funeral plan premiums come from the states of Arizona, Colorado, Idaho, Nevada, Oklahoma, Texas and Utah, and a majority of the Company's non-funeral plan life insurance premiums come from the states of Alabama, California, Florida, Georgia, Louisiana, New Mexico, South Carolina and Utah.

The Company sells its life insurance products through direct agents and brokers and independent licensed agents who may also sell insurance products of other companies. The commissions on life insurance products range from approximately 10% to 90% 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. 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 the 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. The incentive for such businesses to share the costs is that 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, 2001:

	2001	2000	1999	1998	1997
Life Insurance Policy/Cert Count as of December 31	74,335(1)	71,178(1)	75,808(1)	69,895(1)	43,213
Insurance in force as of December 31 (omitted 000)	$2,425,557(1)	$2,049,789(1)	$2,113,893(1)	$2,123,734(1)	$648,906
Premiums Collected (omitted 000)	$14,860(1)	$14,959(1)	$15,261(1)	$5,718	$5,732

(1) Includes acquisition of Southern Security Life Insurance Company on December 17, 1998.

Underwriting

Factors considered in evaluating an application for insurance coverage (except final expense insurance) include the applicant's age, occupation, general health and medical history. Upon receipt of a satisfactory application, which contains pertinent medical questions, the Company writes insurance that is based on its medical limits and requirements on a basis satisfactory to the reinsuring company (or companies, if submitted facultatively), subject to the following general non-medical limits:

Age Nearest Birthday	Non-Medical Limits
0-50	$75,000
51-up	Exam Required

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

The Company also sells final expense insurance. This insurance is a small face amount, with a maximum issue of $10,000. It is written on a simplified medical application with underwriting requirements being a completed application, a phone inspection on each applicant and a Medical Information Bureau inquiry. There are several underwriting classes in which an applicant can be placed. If the Company receives conflicting or incomplete underwriting information, an attending physician's statement can be ordered to insure the applicant is placed in the correct underwriting class.

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 purchase an immediate annuity 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 surrender their annuity contracts. These types of annuities have guaranteed interest rates of 4% to 4 1/2% per annum. Above that, the interest rate credited is periodically determined by the Board of Directors at their discretion. An immediate annuity is a contract in which the individual remits to the Company a sum of money 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.

Holders of annuities enjoy a significant benefit under the current federal income tax law in that interest accretions that are credited to the annuities do not incur current income tax expense on the part of the contract holder. Instead, the interest income is tax deferred until such time as it is paid out to the contract holder. 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. From that spread must be deducted commissions, issuance expenses and general and administrative expenses. The Company's annuities currently have credited interest rates ranging from 4% to 6 1/2%.

Markets and Distribution

The general market for all of the Company's annuities is middle to older age individuals who wish to save or invest their money in a tax deferred environment, having relatively high yields. The Company currently markets its annuities primarily in the states of Arizona, New Mexico, Oklahoma, Texas and Utah.

The major source of annuity considerations comes from direct agents. Annuities can be sold as a by-product of other insurance sales. This is particularly true in the funeral planning area. If an individual does not qualify for a funeral plan due to health considerations, the agent will often sell that individual an annuity to take care of those final expenses. The commission rates on annuities range from 2% to 10%.

The following table summarizes the annuity business for the five years ended December 31, 2001:

	2001	2000	1999	1998	1997
Annuities Policy/Cert Count as of December 31	8,012(1)	8,443(1)	8,369(1)	7,890(1)	7,434
Deposits Collected (omitted 000)	$2,550(1)	$3,039(1)	$3,906(1)	$2,770	$2,521

(1) Includes acquisition of Southern Security Life Insurance Company on December 17, 1998.

Accident and Health

Products

Prior to the acquisition of Capital Investors Life in December 1994, the Company did not actively market accident and health products. With the acquisition of Capital Investors Life, the Company acquired a block of accident and health policies which pay limited benefits to policyholders. The Company is currently offering a low-cost comprehensive diver's accident policy and a limited cancer benefit policy. The diver's policy provides world-wide coverage for medical expense reimbursement and life insurance in the event of diving or water sports accidents. The cancer policy provides a lump sum payment for the occurrence of cancer.

Markets and Distribution

The Company currently markets its diver's policy through water sports magazine advertising and dive shops throughout the world. The Company pays direct commissions ranging from 15% to 30% for new business generated.

The following table summarizes the accident and health business for the five years ended December 31, 2001:

	2001	2000	1999	1998	1997
Accident and Health Policy/Cert. Count as of December 31	19,343(1)	21,454(1)	24,078(1)	27,201(1)	30,250
Premiums Collected (omitted 000)	$413(1)	$464(1)	$549(1)	$375	$430

(1) Includes acquisition of Southern Security Life Insurance Company on December 17, 1998.

Reinsurance

The Company reinsures with other companies portions of the individual life insurance and accident and health policies it has underwritten. The primary purpose of reinsurance is to enable an insurance company to write a policy in an amount larger than the risk it is willing to assume for itself. No other liabilities or guarantees by the Company exist on business ceded through reinsurance treaties; however, the Company remains obligated for amounts ceded in the event the reinsurers do not meet their obligations. There is no assurance that the reinsurer will be able to meet the obligations assumed by it under the reinsurance agreement.

The Company's policy is to retain no more than $75,000 of ordinary insurance per insured life. Excess risk is reinsured. The total amount of life insurance in force at December 31, 2001, reinsured by other companies aggregated $216,369,000, representing approximately 9.8% of the Company's life insurance in force on that date.

The Company currently cedes and assumes certain risks with various authorized unaffiliated reinsurers pursuant to reinsurance treaties which are renewable 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.

Investments

The investments that support the Company's life insurance and annuity obligations are determined by the Investment Committee of the Board of Directors of the various subsidiaries and ratified by the full Board of Directors of the respective subsidiaries. A significant portion of the investments must meet statutory requirements governing the nature and quality of permitted investments by insurance companies. The Company's interest-sensitive type products, primarily annuities and interest-sensitive whole life, compete with other financial products such as bank certificates of deposit, brokerage sponsored money market funds as well as competing life insurance company products. While it is not the Company's policy to offer the highest yield in this climate, in order to offer what the Company considers to be a competitive yield, it maintains a diversified portfolio consisting of common stocks, preferred stocks, municipal bonds, investment and non-investment grade bonds including high-yield issues, mortgage loans, real estate, short-term 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 has six wholly-owned cemeteries and thirteen wholly-owned mortuaries. The cemeteries are non-denominational. 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 grave spaces, interment vaults, mausoleum crypts and niches, markers, caskets, flowers and other related products. The 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 funeral chapel at each of its cemeteries other than Holladay Memorial Park and Singing Hills Memorial Park and has ten separate stand-alone mortuary facilities. The Company's cemetery and mortuary business increased with the acquisition of Holladay Memorial Park, Inc., Cottonwood Mortuary, Inc. and Deseret Memorial, Inc. in September 1991, the acquisition of Sunset Funeral Home, Inc. in January 1994, the acquisition of Greer-Wilson Funeral Home, Inc. in April 1995, and the acquisition of Crystal Rose Funeral Home in February 1997.

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 also markets its mortuary and cemetery products on an at-need basis. 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.

The sales representatives of the Company's cemetery and mortuary operations are commissioned and receive no salary. The sales commissions range from 10% to 22% for cemetery products and services and 10% to 90% of first year premiums for funeral plan insurance. Potential customers are located via telephone sales prospecting, responses to letters mailed by the sales representatives, newspaper inserts, referrals, contacts made at funeral services, and door to door canvassing. The Company trains its sales representatives and generates leads for them. If a customer comes to one of the Company's cemeteries on an at-need basis, the sales representatives are compensated on a commission basis.

Mortgage Loans

Products

The Company, through its mortgage subsidiary, Security National Mortgage Company, originates and underwrites residential and commercial loans for new construction and existing homes and real estate projects. The Company is an approved government guaranteed and conventional lender and processes government guaranteed and conventional loans. Most of the loans are sold directly to investors. The Company has available warehouse lines of credit with affiliated companies and unaffiliated financial institutions to fund mortgage loans prior to the purchase by investors.

Markets and Distribution

The Company's mortgage lending services are marketed primarily to individual homeowners and businesses who are located in the area known as the "Wasatch Front," covering approximately 100 miles between Provo, Salt Lake City and Ogden, Utah, with the greatest concentration of sales being in the greater Salt Lake City area and in Valencia and Sacramento, California, Orlando, Florida, Colorado Springs, Colorado, Phoenix, Arizona and Houston, Texas. The typical loan size for residential loans ranges from $40,000 to $300,000, and for commercial loans from $200,000 to $1,500,000.

The Company's mortgage loan originations are through full time mortgage loan officers and wholesale brokers who are paid a sales commission ranging between .70% to 3.0% of the loan amount. Prospective customers are located through contacts with builders, real estate agents, and door-to-door canvassing.

Recent Acquisitions and Other Business Activities

Menlo Life Insurance Company

On June 30, 1999 the Company entered into a Coinsurance and Assumption Agreement (the "Agreement") with Menlo Life Insurance Company ("Menlo Life"), wherein the Company has assumed 100% of the policies in force of Menlo Life. The Agreement was not in effect until it was approved by Menlo Life's domiciled state of Arizona and the state of California. These approvals were obtained on September 9, 1999 for the Arizona Insurance Department, and on December 9, 1999 for the California Insurance Department.

SSLIC Holding Company

On December 17, 1998, the Company completed the acquisition of SSLIC Holding Company, (formerly Consolidare Enterprises, Inc.), a Florida corporation ("SSLIC Holding") pursuant to the terms of the Acquisition Agreement which the Company entered into on April 17, 1998 with SSLIC Holding and certain shareholders of SSLIC Holding for the purchase of all of the outstanding shares of common stock of SSLIC Holding and all of the outstanding shares of stock of Insuradyne Corp., a Florida Corporation ("Insuradyne"). As of December 31, 2001, SSLIC Holding owns approximately 75% of the outstanding shares of common stock of Southern Security Life Insurance Company, a Florida corporation ("Southern Security"). Southern Security is a Florida domiciled insurance company with total assets as of December 31, 2001, of approximately $77.5 million. Southern Security is currently licensed to transact business in 14 states. Southern Security is also a reporting company under Section 13 of the Securities Exchange Act of 1934. Reference is made to Southern Security's annual report on Form 10-K for the year ended December 31, 2001, which was filed with the Securities Exchange Commission on March 29, 2002, Commission File No. 2-35669.

Crystal Rose Funeral Home

In February 1997, the Company purchased all of the outstanding shares of common stock of Crystal Rose Funeral Home, Inc. ("Crystal Rose"), an Arizona corporation. In connection with this transaction, the Company also acquired certain real estate and other assets related to the business of Crystal Rose from the sole stockholder of Crystal Rose. The Company continues to operate Crystal Rose, which is located in Tolleson, Arizona, as a funeral home and mortuary.

Regulation

The Company's insurance subsidiaries, Security National Life and Southern Security, 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 is currently subject to regulation in Utah and Florida under insurance holding company legislation, and other states where applicable. Intercorporate transfers of assets and dividend payments from its 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 Company's cemetery and mortuary subsidiaries are subject to the Federal Trade Commission's comprehensive funeral industry rules and are subject 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 are governed by state statutes and city ordinances in Utah, Arizona 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 loan subsidiary, Security National Mortgage, is subject to the rules and regulations of the U.S. Department of Housing and Urban Development. These regulations among other things specify the procedures for the origination, the underwriting, the licensing of wholesale brokers, quality review audits and the amounts that can be charged to borrowers for all FHA and VA loans. Each year the Company must have an audit by an independent CPA firm to verify compliance under these regulations. In addition to the government regulations, the Company must meet loan requirements of various investors who purchase the loans before the loans can be sold to the investors.

Income Taxes

The Company's insurance subsidiaries, Security National Life and Southern Security, are taxed under the Life Insurance Company Tax Act of 1984. Pursuant thereto, 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 stockholder's surplus account or significant decrease in life reserves will result in taxable income.

Security National Life and Southern Security may continue to receive the benefit of the small life insurance company deduction. In order to qualify for the small company deduction, the combined 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. To the extent that the net income limitation is exceeded, then the small life insurance company deduction is phased out over the next $12,000,000 of life insurance company taxable income.

Since 1990, Security National Life and Southern Security have computed their 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. For taxable years beginning January 1, 1987, the Company may be subject to the Corporate Alternative Minimum Tax and the proportionate disallowance rules for installment sales 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 a more diversified line of insurance coverage than the Company. In addition, such companies generally have a larger sales force. Further, many of the companies with which the Company competes are mutual companies which may have a competitive advantage because all profits accrue to policyholders. Because the Company is small 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, Phoenix and San Diego areas in which 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 that 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 loan industry is highly competitive with several mortgage companies and banks in the same geographic area in which the Company is operating which have longer business histories and more established positions in the community. The refinancing market is particularly vulnerable to changes in interest rates.

Employees

As of December 31, 2001, the Company employed 270 full-time and 53 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.

Location	Function	Owned Leased	Approximate Square Footage
5300 So. 360 West Salt Lake City, UT	Corporate Headquarters	Owned(1)	33,000
1603 Thirteenth St. Lubbock, TX	District Sales Office	Owned(2)	10,000
755 Rinehart Rd. Lake Mary, FL	Subsidiary Headquarters	Owned(3)	27,000

(1) The Company leases an additional 8,858 square feet of the facility to unrelated third parties for approximately $142,000 per year, under leases which expire at various dates after 2001.

(2) The Company leases an additional 8,459 square feet of the facility to unrelated third parties for approximately $33,000 per year, under leases which expire at various dates after 2001.

(3) The Company leases an additional 12,245 square feet of the facility to unrelated third parties for approximately $165,000 per year, under leases which expire at various dates after 2001.

The Company believes the office facilities it occupies are in good operating condition, are adequate for current operations and has no plan to build or acquire additional office facilities. The Company believes its office facilities are adequate for handling business in the foreseeable future.

The following table summarizes the location and acreage of the six Company owned cemeteries:

Name of Cemetery	Location	Date Acquired	Developed Acreage(1)	Total Acreage(1)	Net Saleable Acreage: Acres Sold as Cemetery Spaces(2)	Net Saleable Acreage: Total Available Acreage(1)
Memorial Estates, Inc.:						
Lakeview Cemetery(3)	1700 E. Lakeview Dr. Bountiful, UT	1973	7	40	7	33
Mountain View Cemetery(3)	3115 E. 7800 So. Salt Lake City, UT	1973	26	54	17	37
Redwood Cemetery(3)(5)	6500 So. Redwood Rd. West Jordan, UT	1973	40	78	35	43
Holladay Memorial Park(4)(5)	4800 So. Memory Lane Holladay, UT	1991	6	14	6	8
Lakehills Cemetery(4)	10055 So. State Sandy, UT	1991	12	44	6	38
Singing Hills Memorial Park(6)	2798 Dehesa Rd. El Cajon, CA	1995	6	35	2	33

(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, 2001, there were mortgages of approximately $52,000 collateralized by the property and facilities at Memorial Estates Lakeview, Mountain View and Redwood Cemeteries.
(4) As of December 31, 2001, there were mortgages of approximately $1,747,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.
(5) These cemeteries include two granite mausoleums.
(6) As of December 31, 2001, there was a mortgage of approximately $603,000 collateralized by the property.

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

Name of Mortuary	Location	Date Acquired	Viewing Room(s)	Chapel(s)	Square Footage
Memorial Mortuary	5850 South 900 East Salt Lake City, UT	1973	3	1	20,000
Memorial Estates, Inc.:					
Redwood Mortuary	6500 South Redwood Rd. West Jordan, UT	1973	2	1	10,000
Mountain View Mortuary	3115 East 7800 South Salt Lake City, UT	1973	2	1	16,000
Lakeview Mortuary	1700 East Lakeview Dr. Bountiful, UT	1973	0	1	5,500
Paradise Chapel Funeral Home	3934 East Indian School Road Phoenix, AZ	1989	2	1	9,800
Deseret Memorial, Inc.:					
Colonial Mortuary(2)	2128 South State St. Salt Lake City, UT	1991	1	1	14,500
Deseret Mortuary(2)	36 East 700 South Salt Lake City, UT	1991	2	2	36,300
Lakehills Mortuary	10055 South State St. Sandy, UT	1991	2	1	18,000
Cottonwood Mortuary(2)	4670 South Highland Dr. Salt Lake City, UT	1991	2	1	14,500
Camelback Sunset Funeral Home(1)	301 West Camelback Rd. Phoenix, AZ	1994	2	1	11,000

Name of Mortuary	Location	Date Acquired	Viewing Room(s)	Chapel(s)	Square Footage
Greer-Wilson:					
Greer-Wilson Funeral Home	5921 West Thomas Road Phoenix, AZ	1995	2	2	25,000
Avondale Funeral Home	218 North Central Avondale, AZ	1995	1	1	1,850
Crystal Rose Funeral Home(3	9155 W. VanBuren Tolleson, AZ	1997	0	1	9,000

(1) As of December 31, 2001 there were mortgages of approximately $255,000 collateralized by the property and facilities of Camelback Sunset Funeral Home.
(2) As of December 31, 2001, there were mortgages of approximately $1,747,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.
(3) As of December 31, 2001, there was a mortgage of approximately $209,000, collateralized by the property and facilities of Crystal Rose Funeral Home.

Item 3. Legal Proceedings

An action was brought against the Company in July 1999 by Dorothy Ruth Campbell in the Circuit Court of Escambia County, Alabama. The action arises out of a denial of coverage under a $10,000 insurance policy. The claims are for breach of contract, bad faith and fraudulent misrepresentation. In the action, Campbell seeks compensatory and punitive damages plus interest. The Company has filed its response to the complaint and certain discovery has taken place. The Company intends to vigorously defend the matter.

An action was brought against the Company in May 2001, by Glenna Brown Thomas individually and as personal representative of the Estate of Lynn W. Brown (Third Judicial Court, Salt Lake County, State of Utah, 010904432). The action asserts that Memorial Estates delivered to Lynn W. Brown three stock certificates representing 2,000 shares in 1970 and 1971. Mr. Brown died in 1972. It is asserted that at the time the 2,000 shares were issued and outstanding, such represented a 2% ownership of Memorial Estates. It is alleged Mr. Brown was entitled to preemptive rights and that after the issuance of the stock to Mr. Brown there were further issuances of stock without providing written notice to Mr. Brown or his estate with respect to an opportunity to purchase more stock. It is asserted among the other things that the plaintiff "has the right to a transfer of Brown's shares to Thomas on Defendants' (which includes Security National Financial Corporation as well as Memorial Estates, Inc.) books and to restoration of Brown's proportion of share ownership in Memorial at the time of his death by issuance and delivery to Thomas of sufficient shares of Defendant's publicly traded and unrestricted stock in exchange for the 2,000 shares of Memorial stock and payment of all dividends from the date of Thomas's demand, as required by Article XV of the Articles of Incorporation." Based on present information, the Company intends to vigorously defend the matter, including an assertion that the statute of limitations bars the claims.

An action was brought against the Company by National Group Underwriters, Inc. ("NGU") in state court in the State of Texas. The case was removed by the Company to the United States District Court for the Northern District of Texas, Fort Worth Division, with Civil No. 4:01-CV-403-E. An Amended Complaint was filed on or about July 18, 2001. The Amended Complaint asserts that NGU had a contract with the Company wherein NGU would submit applications for certain policies of insurance to be issued by the Company. It is alleged that disputes have arisen between NGU and the Company with regard to the calculation and payment of certain advanced commissions as well as certain production bonuses.

NGU alleges that it "has been damaged far in excess of the $75,000 minimum jurisdictional limits of this Court." NGU also seeks attorney's fees and costs as well as prejudgment and postjudgment interest. A second amended complaint and a third amended complaint, which included a fraud claim, were filed. A motion was filed by the Company to dismiss the third amended complaint, including the fraud claim. The court denied the motion. The Company has counterclaimed for what it claims to be aparties with the counterclaim seeking an amount in excess of$411,000 (said amount potentially subject to reduction as premiums are received). The Company is also seeking to recover attorney's fees and costs, as well punitive damages on two of its causes of action. NGU has filed a motion to dismiss certain claims in the counterclaim, which the court granted in part and denied in part. Discovery is currently taking place. The Company intends to vigorously defend the matter as well as prosecute its counterclaim.

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

Item 4. Submission of Matters to a Vote of Security Holders

At the annual stockholders meeting held on October 4, 2001, the following matters were acted upon: (i) seven directors consisting of George R. Quist, William C. Sargent, Scott M. Quist, Charles L. Crittenden, Dr. Robert G. Hunter, H. Craig Moody and Norman G. Wilbur were elected to serve until the next annual stockholders meeting or until their respective successors are elected and qualified (for George R. Quist, Class A and Class C shares, 8,171,518 votes were cast in favor of election, 26,349 votes were cast against election and there were no abstentions; for William C. Sargent, Class A and Class C shares, 8,173,339 votes were cast in favor of election, 24,528 votes were cast against election and there were no abstentions; for Scott M. Quist, Class A shares only, 2,937,835 votes were cast in favor of election, 23,179 votes were cast against election and there were no abstentions; for Charles L. Crittenden, Class A and Class C shares, 8,185,497 votes were cast in favor of election and 12,370 votes were cast against election and there were no abstentions; for Dr. Robert G. Hunter, Class A and Class C shares, 8,187,539 votes were cast in favor of election, 10,328 votes cast against election and there were no abstentions; for H. Craig Moody, Class A shares only, 2,951,294 votes were cast in favor of election, 9,720 votes cast against election and there were no abstentions; for Norman G. Wilbur, Class A and Class C shares, 8,187,497 votes were cast in favor of election, 10,367 votes were cast against election and there were no abstentions; and (ii) the appointment of Tanner + Co., as the Company's independent accountants for the fiscal year ended December 31, 2001, was ratified (with 8,195,172 votes cast for appointment, 10,800 votes against appointment and 74 abstentions).

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

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. During recent years there has been occasional trading of Class A and Class C Common Stock by brokerage firms in the over-the-counter market. The following are the high and low sales prices for Class A Common Stock as reported by Nasdaq:

Period (Calendar Year)	Price Range	
	High	Low
2000		
First Quarter	$4.29	$2.74
Second Quarter	3.33	2.56
Third Quarter	3.10	2.41
Fourth Quarter	2.86	2.02
2001		
First Quarter	2.44	1.91
Second Quarter	2.38	1.91
Third Quarter	2.76	2.10
Fourth Quarter	2.76	2.19
2002		
First Quarter	2.95	2.31

The above sales prices have been adjusted for the effect of annual stock dividends.

The Class C Common Stock is not actively traded, although there are occasional transactions in such stock by brokerage firms. (See Note 11 to the 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 1989 through 2001.

As of December 31, 2001, there were 4,629 record holders of Class A Common Stock and 143 record holders of Class C Common Stock.

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

The following selected financial data for each of the five years in the period ended December 31, 2001, are derived from the audited consolidated financial statements. The data as of December 31, 2001 and 2000, and for the three years ended December 31, 2001, should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

Consolidated Statement of Earnings Data:

	Year Ended December 31,				
	2001	2000(3)	1999(2)(3)	1998(3)	1997(1)(3)
Revenue					
Premiums	$13,151,000	$12,876,000	$13,176,000	$5,916,000	$6,141,000
Net investment income	12,947,000	12,136,000	10,631,000	7,459,000	7,140,000
Net mortuary and cemetery income	10,603,000	9,417,000	10,178,000	9,226,000	9,231,000
Realized gains on investments	10,000	424,000	313,000	74,000	253,000
Mortgage fee income	40,086,000	22,922,000	14,503,000	10,082,000	5,662,000
Other	152,000	305,000	856,000	63,000	48,000
Total revenue	76,949,000	58,080,000	49,657,000	32,820,000	28,475,000
Expenses					
Policyholder benefits	11,775,000	12,931,000	11,976,000	6,932,000	6,669,000
Amortization of deferred policy acquisition costs	3,870,000	3,189,000	4,858,000	1,274,000	1,132,000
General and administrative expenses	52,247,000	35,959,000	26,959,000	19,649,000	15,361,000
Interest expense	2,791,000	2,126,000	1,119,000	999,000	948,000
Cost of goods & services of the mortuaries & cemeteries	2,494,000	2,628,000	3,295,000	2,940,000	2,696,000
Total benefits & expenses	73,177,000	56,833,000	48,207,000	31,794,000	26,806,000
Income before income tax expense	3,772,000	1,247,000	1,450,000	1,026,000	1,669,000
Income tax expense	(913,000)	(305,000)	(230,000)	(255,000)	(360,000)
Minority interest in (income) loss of subsidiary	(18,000)	(46,000)	(244,000)	--	--
Net earnings	$2,841,000	$896,000	$976,000	$771,000	$1,309,000
Net earnings per common share(3)	$.63	$.21	$.22	$.18	$.33
Weighted average outstanding common shares	4,506,000	4,318,000	4,397,000	4,273,000	3,988,000
Net earnings per common share-assuming dilution(3)	$.63	$.21	$.22	$.18	$.32
Weighted average outstanding common shares-assuming dilution	4,507,000	4,335,000	4,397,000	4,273,000	4,093,000

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

Balance Sheet Data:

	Year Ended December 31,				
	2001	2000(3)	1999(3)	1998(2)(3)	1997(1)(3)
Assets					
Investments and restricted assets	$94,514,000	$108,810,000	$113,208,000	$126,332,000	$81,039,000
Cash	8,757,000	11,275,000	12,423,000	6,671,000	3,408,000
Receivables	58,701,000	36,413,000	38,074,000	28,309,000	15,224,000
Other assets	51,088,000	52,249,000	50,593,000	51,953,000	25,781,000
Total assets	$213,060,000	$208,747,000	$214,298,000	$213,265,000	$125,452,000
Liabilities					
Policyholder benefits	$142,291,000	$141,755,000	$140,368,000	137,466,000	$77,890,000
Notes & contracts payable	12,098,000	14,046,000	23,341,000	22,887,000	9,981,000
Cemetery & mortuary liabilities	9,344,000	8,659,000	6,638,000	6,917,000	6,116,000
Other liabilities	15,121,000	12,921,000	11,415,000	12,536,000	6,070,000
Total liabilities	178,854,000	177,381,000	181,762,000	179,806,000	100,057,000
Minority interest	4,237,000	4,625,000	6,046,000	6,779,000	--
Stockholders' equity	29,969,000	26,741,000	26,490,000	26,680,000	25,395,000
Total liabilities and stockholders' equity	$213,060,000	$208,747,000	$214,298,000	$213,265,000	$125,452,000

(1) Reflects the acquisition of Crystal Rose Funeral Home as of February 1997.

(2) Reflects the acquisition of SSLIC Holding Company and subsidiaries as of December 17, 1998.

(3) Reflects the implementation on January 1, 2000 of SAB No. 101, "Revenue recognition in Financial Statements" which changes the Company's accounting policies regarding the manner in which the Company records pre-need sales. The implementation of SAB No. 101 did not have a material effect on the consolidated financial condition, results of operation or cash flows of the Company. The change in the Company's accounting policies resulting from implementation of SAB No. 101 has been treated as a change in accounting principle effective as of January 1, 2000. The cumulative effect of the accounting change through December 31, 1999 was negligible. The following table shows the unaudited proforma effects of retroactive application using the newly adopted accounting policies compared to historical results for the years ended December 31, 1999 and 1998. It was impractical for the Company to obtain the amounts on a pro-forma basis prior to 1998. There were no changes in net earnings or net earnings per common share for those periods since the Company's previous accounting practice did not recognize any significant profits on pre-need sales. The Company's previous accounting practice recorded pre-need sales as revenue but also recorded approximately an equal amount for the sum of the future merchandise cost and sales expense. Implementing SAB 101 changed this practice to defer these pre-need sales and costs to when the merchandise is delivered or the services are performed.

	1999		1998	
	Proforma	Historical	Proforma	Historical
Revenues	$48,632,0000	$49,657,000	$31,939,000	$32,820,000
Total benefits and expenses	47,181,000	48,207,000	30,912,000	31,794,000

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 interest sensitive products; (ii) emphasis on cemetery and mortuary business; and (iii) capitalizing on lower interest rates by originating and refinancing mortgage loans.

During the years ending December 31, 2001 and 2000, Security National Mortgage Company (SNMC) experienced increases in revenue and expenses due to the increase in loan volume of its operations. SNMC is a mortgage lender incorporated under the laws of the State of Utah. SNMC is 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. SNMC obtains loans primarily from independent brokers and correspondents. SNMC funds the loans from internal cash flows and lines of credit from financial institutions. SNMC receives fees from origination points paid by the borrowers and service and release premiums received from third party investors who purchase the loans from SNMC. SNMC sales all of its loans to third party investors and does not retain servicing to these loans. SNMC pays the brokers and correspondents a commission for loans that are brokered through SNMC. In 1999 SNMC opened new wholesale branches in Sacramento, California and Valencia, California. In 2000 SNMC opened new wholesale branches in Orlando, Florida, Colorado Springs, Colorado and Provo, Utah. In 2001, SNMC opened two wholesale branches in Phoenix, Arizona and Houston, Texas. SNMC originated and sold 8,738 ($1,268,000,000), 4,845 ($652,000,000) and 3,526 ($453,000,000) loans, respectively, in 2001, 2000 and 1999.

On December 17, 1998, the Company purchased all of the outstanding shares of common stock of SSLIC Holding Company ("SSLIC Holding") (formerly "Consolidare Enterprises, Inc.") and Insuradyne Corporation ("Insuradyne") for a total cost of $12,248,194. As of December 31, 2001, SSLIC Holding held approximately 75% of the outstanding shares of common stock of Southern Security Life Insurance Company ("Southern Security").

Results of Operations

2001 Compared to 2000

Total revenues increased by $18,870,000, or 32.5%, from $58,079,000 for fiscal year 2000 to $76,949,000 for fiscal year 2001. Contributing to this increase in total revenues was a $17,165,000 increase in mortgage fee income, an $810,000 increase in net investment income, a $1,187,000 increase in net mortuary and cemetery sales and a $275,000 increase in insurance premiums and other considerations.

Insurance premiums and other considerations increased by $275,000, from $12,876,000 in 2000 to $13,151,000 in 2001. This increase was primarily due to the additional premiums from increased sales of the Company's traditional life products.

Net investment income increased by $810,000, from $12,136,000 in 2000 to $12,946,000 in 2001. This increase was primarily attributable to additional interest earned as a result of a greater number of loan originations during 2001.

Net mortuary and cemetery sales increased by $1,187,000, from $9,417,000 in 2000 to $10,603,000 in 2001. This increase was primarily due to additional at-need cemetery and mortuary sales.

Mortgage fee income increased by $17,165,000, from $22,921,000 in 2000 to $40,086,000 in 2001. This increase was primarily attributable to a greater number of loan originations during 2001 due to lower interest rates, resulting in more borrowers refinancing their mortgage loans.

Total benefits and expenses were $73,177,000 for 2001, which constituted 95.1% of the Company's total revenues, as compared to $56,832,000, or 97.9% of the Company's total revenues for 2000.

During 2001, there was a net increase of $1,160,000 in death benefits, surrender and other policy benefits, and a decrease of $2,316,000 in future policy benefits from $12,931,000 in 2000 to $11,775,000 in 2001. This net decrease was primarily the result of a decrease in traditional life reserves.

Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired increased by $681,000, from $3,189,000 in 2000 to $3,870,000 in 2001. This increase was reasonable based on the underlying actuarial assumptions.

General and administrative expenses increased by $16,288,000, from $35,959,000 in 2000 to $52,247,000 in 2001. Contributing to this increase was an $11,458,000 increase in commission expenses, from $18,401,000 in 2000 to $29,859,000 in 2001. Salaries increased $1,360,000, from $7,667,000 in 2000 to $9,028,000 in 2001. Other expenses increased $3,470,000, from $9,890,000 in 2000 to $13,360,000 in 2001. These increases were primarily the result of an increased number of loan originations made by the Company's mortgage subsidiary in 2001.

Interest expense increased by $665,000, from $2,126,000 in 2000 to $2,791,000 in 2001. This increase was primarily due to more loan originations from the Company's mortgage subsidiary being funded by third parties in 2001.

Cost of the mortuary and cemetery goods and services sold decreased by $134,000, from $2,628,000 in 2000 to $2,494,000 in 2001. This decrease was primarily due to greater sales of cemetery burial property sales in 2001, which have a lower cost of goods sold than other funeral products.

2000 Compared to 1999

Total revenues increased by $8,422,000, or 17.0%, from $49,657,000 for fiscal year 1999 to $58,079,000 for fiscal year 2000. Contributing to this increase in total revenues was a $1,505,000 increase in net investment income, an $8,418,000 increase in mortgage fee income, and a $111,000 increase in realized gains on investments and other assets.

Insurance premiums and other considerations decreased by $300,000, from $13,176,000 in 1999 to $12,876,000 in 2000. This reduction was primarily the result of a change in the sales mix of the Company's insurance subsidiary, Southern Security. Since March 1998, Southern Security has sold more final expense policies, which have lower face amounts, than universal life products, which have larger face amounts. Consequently, the insurance revenues from final expense products were less than those from universal life products.

Net investment income increased by $1,505,000 from $10,631,000 in 1999 to $12,136,000 in 2000. This increase was primarily attributable to more loan originations made by the Company's mortgage subsidiary in 2000 due to the expansion of business activities in new geographic markets.

Net mortuary and cemetery sales decreased by $761,000 from $10,178,000 in 1999 to $9,417,000 in 2000. This decrease was primarily due to the change in accounting principles for pre-need funeral and cemetery contract revenues. See Note 1 "Recent Accounting Pronouncements".

Mortgage fee income increased by $8,418,000, from $14,504,000 in 1999 to $22,922,000 in 2000. This increase was primarily the result of an increased number of loan originations made by the Company's mortgage subsidiary in 2000.

Other revenue decreased by $551,000, from $856,000 in 1999 to $305,000 in 2000. This reduction was primarily the result of having received proceeds in 1999 from insurance claims filed for the recovery of the costs to litigate a case against a former officer of the Company's insurance subsidiary, Southern Security.

Total benefits and expenses were $56,833,000 for 2000, which constituted 97.9% of the Company's total revenues, as compared to $48,207,000, or 97.1% of the Company's total revenues for 1999.

During 2000, there was a net increase of $955,000 in death benefits, surrender and other policy benefits, and an increase in future policy benefits from $11,976,000 in 1999 to $12,931,000 in 2000. This increase was primarily due to additional interest credited on annuities and reserve increases on traditional products. This increase was reasonable based on the underlying actuarial assumptions.

Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired decreased by $1,669,000 from $4,858,000 in 1999 to $3,189,000 in 2000. This decrease was primarily due to adjusting the amortization rate to current assumptions at the Company's insurance subsidiary, Southern Security.

General and administrative expenses increased by $9,000,000, from $26,959,000 in 1999 to $35,959,000 in 2000. Contributing to this increase was a $6,550,000 increase in commission expenses from $11,851,000 in 1999 to $18,401,000 in 2000. Salaries increased $258,000 from $7,409,000 in 1999 to $7,667,000 in 2000. Other expenses increased $2,191,000, from $7,699,000 in 1999 to $9,890,000 in 2000. These increases were primarily the result of an increased number of loan originations made by the Company's mortgage subsidiary in 2000.

Interest expense increased by $1,007,000, from $1,119,000 in 1999 to $2,126,000 in 2000. This increase was primarily due to more loan originations from the Company's mortgage subsidiary being funded by third parties in 2000.

Cost of the mortuary and cemetery goods and services sold decreased by $667,000, from $3,295,000 in 1999 to $2,628,000 in 2000. This decrease was primarily due to the change in accounting principles for pre-need funeral and cemetery contract revenues. See Note 1, "Recent Accounting Pronouncements".

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 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, mortgage loans, 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 subsidiaries. Bonds owned by the insurance subsidiaries amounted to $49,271,000 as of December 31, 2001 compared to $62,889,000 as of December 31, 2000. This represents 55% of the total insurance related investments in 2001 as compared to 60% in 2000. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners (NAIC). Under this rating system, there are six categories used for rating bonds. At December 31, 2001, 5.0% ($2,438,000) and at December 31, 2000, .68% ($429,000) of the Company's total bond investments were invested in bonds in rating categories three through six which are considered non-investment grade.

If market conditions were to cause interest rates to change, the market value of the fixed income portfolio (approximately $65,676,000) 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)	$3,655	$2,413	$(3,194)	$(7,558)

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. However, in accordance with Company policy, any such securities purchased in the future will be classified as held 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 higher-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, 2001 and 2000, the life subsidiaries exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was $42,067,000 and $40,787,000 as of December 31, 2001 and 2000, respectively. Stockholders' equity as a percent of total capitalization was 71% and 66% as of December 31, 2001 and 2000, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2001 was 13.2%, as compared to a rate of 15% in 2000.

In February 1997, the Company purchased all of the outstanding shares of common stock of Crystal Rose Funeral Home, Inc. for a total consideration of $382,000, which included a note to the former owner in the amount of $297,000.

On December 17, 1998, the Company completed the acquisition of Consolidare Enterprises, Inc., a Florida corporation ("Consolidare") pursuant to the terms of the Acquisition Agreement which the Company entered into on April 17, 1998 with Consolidare and certain shareholders of Consolidare for the purchase of all of the outstanding shares of common stock of Consolidare. Consolidare owns approximately 75% of the outstanding shares of common stock of Southern Security Life Insurance Company, a Florida corporation ("SSLIC"), and all of the outstanding shares of stock of Insuradyne Corp., a Florida corporation ("Insuradyne").

As consideration for the purchase of the shares of Consolidare, the Company paid to the stockholders of Consolidare at closing an aggregate of $12,248,194. In order to pay the purchase consideration, the Company obtained $6,250,000 from bank financing, with the balance of $5,998,194 obtained from funds then currently held by the Company. In addition to the purchase consideration, the Company caused SSLIC to pay, on the closing date, $1,050,000 to George Pihakis, the President and Chief Executive Officer of SSLIC prior to closing, as a lump sum settlement of the executive compensation agreement between SSLIC and Mr. Pihakis.

In connection with the acquisition of Consolidare, the Company entered into an Administrative Services Agreement dated December 17, 1998 with SSLIC. Under the terms of the agreement, the Company has agreed to provide SSLIC with certain defined administrative and financial services, including accounting services, financial reports and statements, actuarial, policyholder services, underwriting, data processing, legal, building management, marketing advisory services and investment services. In consideration for the services to be provided by the Company, SSLIC shall pay the Company an administrative services fee of $250,000 per month, provided, however, that such fee shall be reduced to zero for so long as the capital and surplus of SSLIC is less than or equal to $6,000,000, unless SSLIC and the Company otherwise agree in writing and such agreement is approved by the Florida Department of Insurance.

The administrative services fee may be increased, beginning on January 1, 2001, to reflect increases in the Consumer Price Index, over the index amount as of January 1, 2000. The Administrative Services Agreement shall remain in effect for an initial term expiring on December 16, 2003. The term of the agreement may be automatically extended for additional one-year terms unless either the Company or SSLIC shall deliver a written notice on or before September 30 of any year stating to the other its desire not to extend the term of the agreement. However, in no event can the agreement be terminated prior to December 16, 2003.

On June 30, 1999 the Company entered into a Coinsurance and Assumption Agreement (the "Agreement") with Menlo Life Insurance Company ("Menlo Life"), wherein the Company has assumed 100% of the policies in force of Menlo Life. The Agreement was not in effect until it was approved by Menlo Life's domiciled state of Arizona and the state of California. These approvals were obtained on September 9, 1999 for the Arizona Insurance Department, and on December 9, 1999 for the California Insurance Department. Menlo Life paid consideration to the Company in the form of statutory admitted assets to equal the liabilities assumed. On September 25, 2001, Menlo Life paid to the Company $308,978 in policy loans and $2,269,403 in cash.

At December 31, 2001, $24,776,305 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (SFAS No. 141) and No. 142, "Goodwill and Other Intangibles SFAS No. 142). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The statement also establishes specific criteria for recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The statement requires that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least annually. The amortization period of intangible assets with finite lives will no longer be limited to forty years.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets". This Statement addresses financial accounting and reporting for the impairment of long- lived assets and for long-lived assets to be disposed of. This Statement supersedes FASB Statement 121 and APB Opinion No. 30. However, this Statement retains certain fundamental provisions of Statement 121, namely; recognition and measurement of the impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. The Statement also retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations. This Statement also Amends ARB No. 51 to eliminate the exception of consolidation for a temporarily controlled subsidiary. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations". This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement is effective for financial statement issued for fiscal years beginning after June 15, 2002.

The Company is evaluating the possible effects the adoption of these statements may have on the Company's consolidated financial statements.

The Company adopted Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financing Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125 (FAS 140) on April 1, 2001. This standard revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of FAS 125's provisions without reconsideration. This Statement is effective for recognition and reclassification of collateral and for disclosures relative to securitization transactions and collateral for fiscal years ending after December 15, 2000. The adoption of FAS 140 did not have a material impact on the Company's financial position or results of operations.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

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

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheet of Security National Financial Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the three years in the period ended December 31, 2001. In connection with our audits of the consolidated financial statements, we have also audited the amounts included in the consolidated financial statement schedules as listed in the accompanying index under Item 8. These consolidated financial statements and schedules are the responsibility of the Company's management. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

TANNER + CO.

Salt Lake City, Utah
March 26, 2002

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheet

Assets:	December 31, 2001	2000
Insurance-related investments:		
Fixed maturity securities held to maturity, at amortized cost (market $28,697,986 and $39,283,266 for 2001 and 2000)	$27,799,909	$39,384,168
Fixed maturity securities available for sale, at market (cost $20,565,833 in 2001 and 23,556,864 in 2000)	21,470,729	23,504,989
Equity securities available for sale, at market (cost $1,605,980 and $1,617,363 for 2001 and 2000)	2,641,549	2,774,077
Mortgage loans on real estate	15,479,305	17,435,178
Real estate, net of accumulated depreciation and allowances for losses of $3,523,913 and $3,088,761 for 2001 and 2000	9,051,691	8,564,395
Policy, student and other loans	11,277,975	11,277,742
Short-term investments	1,453,644	1,027,927
Total insurance-related investments	89,174,802	103,968,476
Restricted assets of cemeteries and mortuaries	5,339,436	4,841,819
Cash	8,757,246	11,275,030
Receivables:		
Trade contracts	6,945,274	5,342,380
Mortgage loans sold to investors	50,695,073	26,886,162
Receivable from agents	2,061,541	2,225,784
Receivable from officers	102,200	111,500
Other	1,183,927	3,503,320
Total receivables	60,988,015	38,069,146
Allowance for doubtful accounts	(2,287,241)	(1,656,223)
Net receivables	58,700,774	36,412,923
Policyholder accounts on deposit with reinsurer	7,148,068	7,434,750
Land and improvements held for sale	8,346,448	8,485,523
Accrued investment income	1,059,789	1,302,552
Deferred policy and pre-need acquisition costs	14,453,023	13,603,182
Property, plant and equipment, net	10,802,387	10,824,700
Cost of insurance acquired	7,615,348	8,729,264
Excess of cost over net assets of acquired subsidiaries	1,065,045	1,172,599
Other	597,209	695,683
Total assets	$213,059,575	$208,746,501

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Balance Sheet (Continued)

	December 31, 2001	December 31, 2000
Liabilities:		
Future life, annuity, and other policy benefits	$140,504,866	$140,000,344
Unearned premium reserve	1,785,977	1,754,980
Bank loans payable	8,461,900	9,805,118
Notes and contracts payable	3,635,776	4,240,830
Deferred pre-need cemetery and funeral contracts revenues and estimated future cost of pre-need sales	9,338,353	8,679,199
Accounts payable	1,319,319	1,242,407
Funds held under reinsurance treaties	1,379,640	1,417,216
Other liabilities and accrued expenses	5,552,799	4,115,920
Income taxes	6,874,597	6,124,512
Total liabilities	178,853,227	177,380,526
Commitments and contingencies	--	--
Minority interest	4,237,030	4,624,614
Stockholders' Equity:		
Common stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 5,363,591 shares in 2001 and 5,107,631 shares in 2000	10,727,182	10,215,262
Class C: $0.20 par value, authorized 7,500,000 shares, issued 6,113,430 shares in 2001 and 5,827,805 shares in 2000	1,222,686	1,165,561
Total common stock	11,949,868	11,380,823
Additional paid-in capital	10,168,523	10,054,714
Accumulated other comprehensive income, net of deferred taxes (benefit) of $212,734 and $(66,043) for 2001 and 2000	1,223,930	836,751
Retained earnings	9,989,230	7,831,306
Treasury stock at cost (1,294,716 Class A shares and 68,332 Class C shares in 2001; 1,233,064 Class A shares and 65,078 Class C shares in 2000, held by affiliated companies)	(3,362,233)	(3,362,233)
Total stockholders' equity	29,969,318	26,741,361
Total liabilities and stockholders' equity	$213,059,575	$208,746,501

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Consolidated Statement of Earnings

	Years Ended December 31, 2001	2000	1999
Revenues:			
Insurance premiums and other considerations	$13,150,875	$12,875,585	$13,175,825
Net investment income	12,946,499	12,136,072	10,631,302
Net mortuary and cemetery sales	10,603,451	9,416,927	10,178,246
Realized gains on investments and other assets	10,428	423,805	313,013
Mortgage fee income	40,086,097	22,921,585	14,503,388
Other	151,945	304,886	855,604
Total revenue	76,949,295	58,078,860	49,657,378
Benefits and expenses:			
Death benefits	5,354,522	3,959,811	4,780,063
Surrenders and other policy benefits	1,467,323	1,702,251	1,494,863
Increase in future policy benefits	4,953,008	7,268,720	5,700,784
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	3,870,158	3,188,752	4,857,662
General and administrative expenses:			
Commissions	29,859,295	18,401,314	11,850,763
Salaries	9,027,523	7,667,263	7,409,298
Other	13,360,362	9,890,197	7,698,779
Interest expense	2,790,627	2,126,169	1,119,402
Cost of goods and services sold of the mortuaries and cemeteries	2,494,367	2,628,260	3,294,983
Total benefits and expenses	73,177,185	56,832,737	48,206,597
Earnings before income taxes	3,772,110	1,246,123	1,450,781
Income tax expense	(913,539)	(304,640)	(230,516)
Minority income	(17,791)	(45,754)	(244,370)
Net earnings	$2,840,780	$895,729	$975,895
Net earnings per common share	$.63	$.21	$.22
Weighted average outstanding common shares	4,506,476	4,317,779	4,397,141
Net earnings per common share-assuming dilution	$.63	$.21	$.22
Weighted average outstanding common shares assuming-dilution	4,506,858	4,335,044	4,397,141

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity

	Class A	Class C	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance at December 31, 1998	$9,234,660	$1,089,319	$9,596,444	$1,081,113	$7,474,783	$(1,796,060)	$26,680,259
Comprehensive income:							
Net earnings	--	--	--	--	975,895	--	975,895
Unrealized gain on securities	--	--	--	(415,422)	--	--	(415,422)
Total comprehensive income	--	--	--	--	--	--	560,473
Stock dividends	463,344	52,910	419,456	--	(935,710)	--	--
Conversion Class C to Class A	31,160	(31,159)	(1)	--	--	--	--
Stock issued (canceled)	(1,702)	--	43	--	1,672	--	13
Purchase of treasury stock	--	--	--	--	--	(751,052)	(751,052)
Balance at December 31, 1999	9,727,462	1,111,070	10,015,942	665,691	7,516,640	(2,547,112)	26,489,693
Comprehensive income:							
Net earnings	--	--	--	--	895,729	--	895,729
Unrealized gain on securities	--	--	--	171,060	--	--	171,060
Total comprehensive income	--	--	--	--	--	--	1,066,789
Stock dividends	486,786	55,503	38,774	--	(581,063)	--	--
Conversion Class C to Class A	1,014	(1,012)	(2)	--	--	--	--
Purchase of treasury stock	--	--	--	--	--	(815,121)	(815,121)
Balance at December 31, 2000	10,215,262	1,165,561	10,054,714	836,751	7,831,306	(3,362,233)	26,741,361
Comprehensive income:							
Net earnings	--	--	--	--	2,840,780	--	2,840,780
Unrealized gain on securities	--	--	--	387,179	--		387,179
Total comprehensive income	--	--	--	--	--	--	3,227,959
Stock dividends	510,826	58,221	113,809	--	(682,856)	--	--
Conversion Class C to Class A	1,094	(1,096)	--	--	--	--	(2)
Purchase of treasury stock	--	--	--	--	--	--	--
Balance at December 31, 2001	$10,727,182	$1,222,686	$10,168,523	$1,223,930	$9,989,230	$(3,362,233)	$29,969,318

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statement of Cash Flows

	Year Ended December 31, 2001	2000	1999
Cash flows from operating activities:			
Net earnings	$2,840,780	$895,729	$975,895
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Realized gains on investments and other assets	(10,428)	(423,805)	(313,013)
Depreciation	1,350,372	1,202,158	1,187,426
Provision for losses on real estate accounts and loans receivable	793,194	219,269	150,981
Amortization of goodwill, premiums, and discounts	197,793	214,355	263,572
Provision for deferred income taxes	522,047	259,952	228,464
Policy and pre-need acquisition costs deferred	(3,834,432)	(5,365,417)	(3,886,279)
Policy and pre-need acquisition costs amortized	3,045,996	2,320,710	3,992,522
Cost of insurance acquired amortized	824,162	868,042	865,140
Change in assets and liabilities net of effects from purchases and disposals of subsidiaries:			
Land and improvements held for sale	139,075	37,164	(116,962)
Future life and other benefits	5,734,205	7,023,493	5,012,923
Receivables for mortgage loans sold	(24,786,179)	2,185,751	(7,890,885)
Other operating assets and liabilities	2,400,265	1,028,892	(959,832)
Net cash provided by (used in) operating activities	(10,783,150)	10,466,293	(490,048)
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(402,995)	(4,801,309)	(1,207,177)
Calls and maturities - fixed maturity securities	12,086,818	5,137,323	6,658,968
Securities available for sale:			
Purchases - equity securities	--	(418,365)	(507,404)
Sales - equity securities	2,826,094	4,797,396	2,906,278
Purchases of short-term investments	(14,301,717)	(7,523,432)	(9,131,204)
Sales of short-term investments	13,876,000	7,785,815	19,384,434
Purchases of restricted assets	(497,617)	(604,345)	(119,479)
Mortgage, policy, and other loans made	(3,114,060)	(3,016,125)	(10,891,562)
Payments received for mortgage, policy, and other loans	5,626,747	4,782,778	4,770,423
Purchases of property, plant, and equipment	(1,006,824)	(1,719,120)	(767,383)
Disposal of property and equipment	--	625,507	190,000
Purchases of real estate	(784,677)	(1,329,347)	(421,230)
Sale of real estate	195,562	--	334,500
Net cash provided by investing activities	14,503,331	3,716,776	11,199,164

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statement of Cash Flows (Continued)

	Year Ended December 31, 2001	2000	1999
Cash flows from financing activities:			
Annuity and pre-need contract receipts	9,707,844	8,714,642	10,522,726
Annuity and pre-need contract withdrawals	(13,997,537)	(13,935,567)	(15,183,240)
Repayment of bank loans and notes and contracts payable	(2,698,272)	(1,652,036)	(1,545,957)
Proceeds from borrowings on bank loans and notes and contracts payable	750,000	1,044,202	890,500
Purchase of treasury stock	--	(815,121)	(751,052)
Net change in line of credit for financing of mortgage loans	--	(8,687,023)	1,109,775
Net cash used in financing activities	(6,237,965)	(15,330,903)	(4,957,248)
Net change in cash	(2,517,784)	(1,147,834)	5,751,868
Cash at beginning of year	11,275,030	12,422,864	6,670,996
Cash at end of year	$8,757,246	$11,275,030	$12,422,864

See accompanying notes to the consolidated financial statements.

1) Significant Accounting Principles

General Overview of Business

Security National Financial Corporation and its wholly-owned subsidiaries (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 marketed primarily in the intermountain west, California, Florida, Oklahoma, and Texas. The cemetery and mortuary segment of the Company consists of five cemeteries in Utah, one cemetery in California, eight mortuaries in Utah and five mortuaries in Arizona. The mortgage loan segment is an approved governmental and conventional lender that originates and underwrites residential and commercial loans for new construction, existing homes and real estate projects primarily in California, Colorado, Florida, Utah, Arizona and Texas.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles which, for the life insurance subsidiaries, differ from statutory accounting principles prescribed or permitted by regulatory authorities.

Risks

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

Legal/Regulatory Risk - the risk that changes in the legal or regulatory environment in which the Company operates will create additional expenses and/or risks not anticipated by the Company in developing and pricing its products. That is, 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/mortuary business. The Company mitigates this risk 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 which identify and minimize the adverse impact of such risk.

Credit Risk - the risk that issuers of securities owned by the Company or mortgagors of mortgage loans on real estate owned by the Company will default or that other parties, including reinsurers and holders of cemetery/ mortuary contracts which owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy, by maintaining sound reinsurance and credit and collection policies and by providing for any amounts deemed uncollectible.

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/or 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 gain or loss.

1) Significant Accounting Principles (Continued)

Mortality/Morbidity Risk - the risk that the Company's actuarial assumptions may differ from actual mortality/morbidity experience 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/liability duration matching, and sound actuarial practices.

Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the 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, 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.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of the Company. The Company's subsidiaries at December 31, 2001, are as follows:

Security National Life Insurance Company
Security National Mortgage Company
Memorial Estates, Inc.
Memorial Mortuary
Paradise Chapel Funeral Home
Singing Hills Memorial Park
Cottonwood Mortuary, Inc.
Deseret Memorial, Inc.
Holladay Cottonwood Memorial Foundation
Holladay Memorial Park
Camelback Sunset Funeral Home, Inc.
Greer-Wilson Funeral Home
Crystal Rose Funeral Home
Hawaiian Land Holdings
SSLIC Holding Company
Insuradyne Corporation
Southern Security Life Insurance Company (75%)

All significant intercompany transactions and accounts have been eliminated in consolidation.

On December 17, 1998, the Company purchased all of the outstanding shares of common stock of SSLIC Holding Company (formerly Consolidare Enterprises, Inc.), (SSLIC Holding) and Insuradyne Corporation (Insuradyne) for a total cost of $12,248,194. SSLIC Holding owns approximately 75% of the outstanding shares of common stock of Southern Security Life Insurance Company (Southern Security). The acquisition was accounted for using the purchase method.

1) Significant Accounting Principles (Continued)

Investments

Investments are shown on the following basis:

Fixed maturity securities held to maturity - 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 - at fair value, which is based upon quoted trading prices. 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 - at unpaid principal balances, adjusted for amortization of premium or accretion of discount, less allowance for possible losses.

Real estate - at cost, less accumulated depreciation provided on a straight-line basis over the estimated useful lives of the properties, and net of allowance for impairment in value, if any.

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

Short-term investments - consists of certificates of deposit and commercial paper with maturities of up to one year.

Restricted assets of cemeteries and mortuaries - consists of cash, participations in mortgage loans with Security National Life Insurance Company, and mutual funds carried at cost; fixed maturity securities carried at cost adjusted for amortization of premium or accretion of discount; and equity securities carried at fair market value.

Realized gains and losses on investments - realized gains and losses on investments and declines in value considered to be other than temporary, are recognized in operations on the specific identification basis.

Cash and Cash Equivalents

For purposes of the statements 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.

Property, Plant and Equipment

Property, plant and equipment is 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 thirty years. Leasehold improvements are amortized over the lesser of the useful life or remaining lease terms.

Recognition of Insurance Premiums and Other Considerations

Premiums 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. Revenues for interest-sensitive insurance policies (which include universal life policies, interest-sensitive life policies, deferred annuities, and annuities without life contingencies) consist of policy charges for the cost of insurance, policy administration charges, and surrender charges assessed against policyholder account balances during the period.

1) Significant Accounting Principles (Continued)

Deferred Policy Acquisition Costs and Cost of Insurance 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 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.

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

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 10.0% in 2001, 2000, and 1999. 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.

Future policy benefit reserves for interest-sensitive insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 4% to 6.5% in 2001, 2000 and 1999.

Participating Insurance

Participating business constitutes 6%, 6%, and 5% of insurance in force for 2001, 2000 and 1999, 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 $75,000 to provide for greater diversification of business, 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 has 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.

1) Significant Accounting Principles (Continued)

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.

Cemetery and Mortuary Operations

Pre-need 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.

Pre-need sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sales of pre-need cemetery interment rights are recognized in accordance with the retail land sales provisions of Statement of Financial Accounting Standards No. 66, "Accounting for the Sales of Real Estate" (FAS No. 66). Under FAS 66, 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 FAS No. 66 described above.

Pre-need sales of cemetery merchandise (primarily markers and vaults) - 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) - 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 - costs incurred related to obtaining new pre-need cemetery and prearranged funeral business are accounted for under the guidance of the provisions of Statement of Financial Accounting Standards No. 60 "Accounting and Reporting by Insurance Enterprises" (FAS No. 60). 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.

Cemetery merchandise and services trust investment earnings - investment earnings generated by assets included in merchandise and services trusts are deferred until the associated merchandise is delivered or services performed.

The Company is required to place specified amounts into restricted asset accounts for products sold on a pre-need basis. Income from assets placed in these restricted asset accounts are used to offset required increases to the estimated future liability.

Revenues and costs for at-need sales are recorded when the services are performed.

The Company, through its mortuary and cemetery 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. However, management believes that given current inflation rates and related price increases of goods and services, the risk of exposure is minimal.

1) Significant Accounting Principles (Continued)

Mortgage Operations

Mortgage fee income is generated through the origination and refinancing of mortgage loans and is deferred until such loans are determined to be sold in accordance with FAS No. 140.

All loans are sold to third party investors and the Company does not retain servicing rights. The amounts sold to investors are shown on the balance sheet as mortgage loans sold to investors and are shown on the basis of the amount due from the each investor. Any impairment to sold loans or possible loan losses are included in the provision for doubtful accounts. At December 31, 2001 and 2000 the provision for doubtful loan losses was not significant.

Excess of Cost Over Net Assets of Acquired Businesses

Previous acquisitions have been accounted for as purchases under which assets acquired and liabilities assumed were recorded at their fair values. The excess of cost over net assets of acquired businesses is being amortized over a range of fifteen to twenty years using the straight-line method. The Company periodically evaluates the recoverability of amounts recorded. Accumulated amortization was $1,269,816 and $1,162,262 at December 31, 2001 and 2000, respectively.

Income Taxes

Income taxes include taxes currently payable plus deferred taxes related to the tax effect of temporary differences in the financial reporting basis and tax basis of assets and liabilities. Such temporary differences are related principally to the deferral of policy acquisition costs and the provision for future policy benefits in the insurance operations, and unrealized gains on fixed maturity and equity securities available for sale.

Earnings Per Common Share

The Company computes earnings per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share". This Standard requires presentation of two new amounts, basic and diluted earnings per share. Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding during each year presented, after the effect of the assumed conversion of Class C Common Stock to Class A Common Stock, the acquisition of treasury stock, and the retroactive effect of stock dividends declared. Diluted earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the year plus the incremental shares that would have been outstanding under certain deferred compensation plans.

Stock Compensation

The Company has adopted SFAS No. 123, "Accounting for Stock-Based Compensation". In accordance with the provisions of SFAS 123, the Company has elected to continue to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB Opinion No. 25"), and related interpretations in accounting for its stock option plans.

The Company has two fixed option plans (the "1993 Plan" and the "2000 Plan"). In accordance with APB Opinion No. 25, no compensation cost has been recognized for these plans. Had compensation cost for these plans been determined based upon the fair value at the grant date consistent with the methodology prescribed under SFAS No. 123, the Company's net income would have been reduced by approximately $3,143, $0, and $203,000 in 2001, 2000, and 1999, respectively. As a result, basic and diluted earnings per share would have been reduced by $0, $0, and $0.05 in 2001, 2000, and 1999 respectively.

1) Significant Accounting Principles (Continued)

The weighted average fair value of options granted in 2001 under the 1993 Plan and the 2000 Plan is estimated at $1.25 as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, volatility of 31.8%, risk-free interest rate of 5.14%, and an expected life of five to ten years.

The weighted average fair value of options granted in 2000 under the 1993 Plan and the 2000 Plan is estimated at $1.50 as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, volatility of 30.8%, risk-free interest rate of 6.6%, and an expected life of five to ten years.

The weighted average fair value of each option granted in 1999 under the 1993 Plan is estimated at $1.61 as of the grant date using the Black Scholes option-pricing model with the following assumptions: dividend yield of 0%, volatility of 28.83%, risk-free interest rate of 6.0%, and an expected life of ten years.

The Company also has one variable option plan (the "1987 Plan"). In accordance with APB Opinion No. 25, compensation cost related to options granted and outstanding under these plans is estimated and recognized over the period of the award based on changes in the current market price of the Company's stock over the vesting period. Options granted under the 1987 Plan are exercisable for a period of ten years from the date of grant.

Recent Accounting Pronouncement

The Company adopted Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101) which changes the Company's accounting policies regarding the manner in which the Company records pre-need sales activities. The implementation of SAB No. 101 did not have a material effect on the consolidated financial condition, results of operations or cash flows of the Company.

The change in the Company's accounting policies resulting from implementation of SAB No. 101 has been treated as a change in accounting principle effective as of January 1, 2000. The cumulative effect of the accounting change through December 31, 1999 was negligible. The following table shows the unaudited proforma effects of retroactive application using the newly adopted accounting policies compared to historical results for the year ended December 31, 1999. There were no changes in net earnings or net earnings per common share for this period since the Company's previous accounting practice did not recognize any significant profits on pre-need sales. The Company's previous accounting practice recorded pre-need sales as revenue but also recorded approximately an equal amount for the sum of the future merchandise cost and sales expense. Implementing SAB 101 changed this practice to defer these pre-need sales and costs to when the merchandise is delivered or the services are performed.

	1999	
	Proforma	Historical
Revenues	$48,632,000	$49,657,000
Total benefits and expenses	47,181,000	48,207,000

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (SFAS No. 141) and No. 142, "Goodwill and Other Intangibles SFAS No. 142). SFAS No. 141 and No. 142 are effective for the Company on July 1, 2001. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The statement also establishes specific criteria for recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The statement requires that goodwill and indefinite lived intangible assets no longer be amortized and be tested for impairment at least annually. The amortization period of intangible assets with finite lives will no longer be limited to forty years.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets". This Statement addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. This Statement supersedes FASB Statement 121 and APB Opinion No. 30. However, this Statement retains certain fundamental provisions of Statement 121, namely; recognition and measurement of the impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. The Statement also retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations. This Statement also Amends ARB No. 51 to eliminate the exception of consolidation for a temporarily controlled subsidiary. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations". This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

The Company is evaluating the possible effects the adoption of these statements may have on the Company's consolidated financial statements.

The Company adopted Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financing Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125 (FAS 140) on April 1, 2001. This standard revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of FAS 125's provisions without reconsideration. This Statement is effective for recognition and reclassification of collateral and for disclosures relative to securitization transactions and collateral for fiscal years ending after December 15, 2000. The adoption of FAS 140 did not have a material impact on the Company's financial position or results of operations.

2) Investments

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2001:				
Fixed maturity securities held to maturity:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies	$4,212,280	$227,447	$ --	$4,439,726
Obligations of states and political subdivisions	180,660	12,507	(7,684)	185,484
Corporate securities including public utilities	19,206,038	736,038	(168,158)	19,773,918
Mortgage-backed securities	4,172,926	98,203	(578)	4,270,550
Redeemable preferred stock	28,005	7,350	(7,047)	28,308
Total fixed maturity securities held to maturity	$27,799,909	$1,081,545	$(183,467)	$28,697,986
Securities available for sale:				
Bonds				
U.S. Treasury securities and obligations of U.S. Government agencies	$594,568	$58,415	$ --	$652,983
Corporate securities including public utilities	19,971,265	846,481	--	20,817,746
Nonredeemable preferred stock	56,031	32,150	(6,931)	81,250
Common stock	1,549,949	1,523,382	(513,032)	2,560,299
Total securities available for sale	$22,171,813	$2,460,428	$(519,963)	$24,112,278
Restricted equity securities (note 7)	$172,391	$275,920	$(5,602)	$442,709

2) Investments

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2000:				
Fixed maturity securities held to maturity:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies	$12,900,371	$182,637	$(4,809)	$13,078,199
Obligations of states and political subdivisions	183,399	12,829	(7,903)	188,325
Corporate securities including public utilities	20,951,532	322,660	(584,886)	20,689,306
Mortgage-backed securities	5,320,861	30,737	(55,620)	5,295,978
Redeemable preferred stock	28,005	10,500	(7,047)	31,458
Total fixed maturity securities held to maturity	$39,384,168	$559,363	$(660,265)	$39,283,266
Securities available for sale:				
Bonds				
U.S. Treasury securities and obligations of U.S. Government agencies	$3,367,096	$45,003	$(648)	$3,411,451
Corporate securities including public utilities	20,124,932	91,913	(188,214)	20,028,631
Mortgage-backed securities	64,836	71	--	64,907
Nonredeemable preferred stock	56,031	29,750	(9,044)	76,737
Common stock	1,561,332	1,596,254	(460,246)	2,697,340
Total securities available for sale	$25,174,227	$1,762,991	$(658,152)	$26,279,066
Restricted equity securities (note 7)	$172,391	$215,410	$(3,019)	$384,782

2) Investments (Continued)

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

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2001, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Held to Maturity:	Amortized Cost	Estimated Fair Value
Due in 2002	$5,524,410	$5,631,885
Due in 2003 through 2006	13,401,476	14,024,814
Due in 2007 through 2011	3,745,930	3,699,128
Due after 2011	927,162	1,043,301
Mortgage-backed securities	4,172,926	4,270,550
Redeemable preferred stock	28,005	28,308
	$27,799,909	$28,697,986

Available for Sale:	Amortized Cost	Estimated Fair Value
Due in 2002	$3,333,806	$3,371,856
Due in 2003 through 2006	13,382,582	14,043,241
Due in 2007 through 2011	3,751,727	3,949,820
Due after 2011	97,718	105,812
Mortgage-backed securities	--	--
	$20,565,833	$21,470,729

The Company's realized gains and losses in investments are summarized as follows:

	2001	2000	1999
Fixed maturity securities held to maturity:			
Gross realized gains	$20,228	$3,125	$87,859
Gross realized losses	(565)	(53)	(1,895)
Securities available for sale:			
Gross realized gains	6	884,199	14,138
Gross realized losses	(111)	(463,466)	(12)
Other assets	(9,130)	--	212,923
Total	$10,428	$423,805	$313,013

2) Investments (Continued)

Generally gains and losses from held to maturity securities are a result of early calls and related amortization of premiums or discounts.

Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential and commercial loans and requires collateral on all real estate exposures, a substantial portion of its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. The Company has 65% of its mortgage loans in the state of Utah.

Investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses on available for sale securities) at December 31, 2001, other than investments issued or guaranteed by the United States Government, are as follows:

	Carrying Amount
Dean Witter Discover	$4,352,714
Philip Morris, Inc.	6,013,232

Major categories of net investment income are as follows:

	2001	2000	1999
Fixed maturity securities	$3,776,132	$4,629,916	$4,720,838
Equity securities	49,281	235,491	226,857
Mortgage loans on real estate	1,570,478	1,735,590	1,451,214
Real estate	1,548,507	1,507,239	1,711,771
Policy loans	630,352	641,272	725,383
Short-term investments	379,562	402,350	650,035
Other	5,973,092	3,962,362	2,142,527
Gross investment income	13,927,404	13,114,220	11,628,625
Investment expenses	(980,905)	(978,148)	(997,323)
Net investment income	$12,946,499	$12,136,072	$10,631,302

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of approximately $872,000, $717,000 and $733,000 for 2001, 2000, and 1999, respectively.

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

Securities on deposit for regulatory authorities as required by law amounted to $8,829,559 at December 31, 2001 and $8,815,733 at December 31, 2000.

3) Cost of Insurance Acquired

Information with regard to cost of insurance acquired is as follows:

	2001	2000	1999
Balance at beginning of year	$8,729,264	$9,597,306	$10,462,446
Cost of insurance acquired	(289,754)	--	--
Imputed interest at 7%	572,061	641,325	732,371
Amortization	(1,396,223)	(1,509,367)	(1,597,511)
Net amortization charged to income	(824,162)	(868,042)	(865,140)
Balance at end of year	$7,615,348	$8,729,264	$9,597,306

Presuming no additional acquisitions, net amortization charged to income is expected to approximate $737,000, $679,000, $626,000, $572,000, and $520,000 for the years 2002 through 2006. Actual amortization may vary based on changes in assumptions or experience.

4) Property, Plant and Equipment

The cost of property, plant and equipment is summarized below:

	December 31, 2001	December 31, 2000
Land and Buildings	$10,930,790	$10,828,916
Furniture and equipment	7,557,210	6,694,925
	18,488,000	17,523,841
Less accumulated depreciation	(7,685,613)	(6,699,141)
Total	$10,802,387	$10,824,700

5) Bank Loans Payable and Lines of Credit

Bank loans payable are summarized as follows:

	December 31, 2001	December 31, 2000
6.59% note payable in monthly installments of $34,680 including principal and interest, collateralized by 15,000 shares of Security National Life stock, due December 2004	$1,101,543	$1,425,967
10% note payable in monthly installments of $8,444 including principal and interest, collateralized by real property, which book value is approximately $1,013,000, due January 2013	680,020	711,608

5) Bank Loans Payable and Lines of Credit (Continued)

	December 31, 2001	December 31, 2000
One year treasury constant maturity plus 2.75% (8.03% at December 31, 2001) note payable in monthly installments of $6,000, including principal and interest, collateralized by real property, which book value is approximately $332,000, due October 2002	$48,971	$120,824
6.93% note payable in monthly installments of $20,836, including principal and interest, collateralized by real property, which book value is approximately $991,000, due November 2007	1,590,487	1,662,768
$4,171,803 revolving line of credit at 6.15% interest payable monthly and a reduction in principal due in semi-annual installments collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005	3,703,767	4,904,426
Bank prime rate plus 1/2% (5.25% at December 31, 2001) note payable in monthly installments of $7,235 including principal and interest, collateralized by real property, which book value is approximately $812,000, due August 2004	235,450	301,516
Bank prime rate less 1.35% (3.40% at December 31, 2001) note payable in monthly installments of $2,736 including principal and interest, collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005	156,549	180,893
7.35% note payable in monthly installments of $14,975 including principal and interest collaterized by 15,000 shares of Security National Life Insurance Company stock, due December 2006	750,000	--
Other collateralized bank loans payable	195,113	497,116
Total bank loans	8,461,900	9,805,118
Less current installments	1,677,683	1,596,600
Bank loans, excluding current installments	$6,784,217	$8,208,518

5) Bank Loans Payable and Lines of Credit (Continued)

In addition to the lines of credit described above, the Company has line of credit agreements with banks for $2,000,000 and $5,000,000, of which none were outstanding at December 31, 2001 or 2000. The lines of credit are for general operating purposes. The $2,000,000 line of credit bears interest at the bank's prime rate and must be repaid every 30 days. The $5,000,000 line of credit bears interest at a variable rate with interest payable monthly and is collateralized by student loans equaling 115% of the unpaid principal balance.

See Note 6 for summary of maturities in subsequent years.

6) Notes and Contracts Payable

Notes and contracts payable are summarized as follows:

	December 31, 2001	December 31, 2000
Due to former stockholders of Deseret Memorial, Inc. resulting from the acquisition of such entity Amount represents the present value discounted at 8% of monthly annuity payments ranging from $4,600 to $5,000 plus an index adjustment in the 7th through the 12th years, due September 2011	$604,265	$628,802
Due to former stockholders of Greer Wilson resulting from the acquisition of such entity. Amount represents the present value discounted at 10% of monthly annuity payments of $7,000, due March 2005	232,259	289,865
Due to former stockholders of Civil Service Employees Life Insurance Company resulting from the acquisition of such entity. 7% note payable in seven annual installments with principal payments of $151,857, due December 2002	151,857	303,714
Due to former stockholders of Crystal Rose Funeral Home resulting from the acquisition of such entity. Amount represents the present value discounted at 9% of monthly annuity payments of $5,350 due February 2007	35,420	62,892
9% note payable in monthly installments of $10,000 including principal and interest collateralized by real property, which book value is approximately $2,908,000, due July 2008	602,653	665,318
Due to Memorial Estates Endowment Care Trust Fund for the remodel of the Cottonwood Funeral Home. 6% note payable in monthly installments of $5,339 including principal and interest collateralized by the Funeral Home, which book value is approximately $937,000 due March 2030	861,748	899,500

6) Notes and Contracts Payable (Continued)

	December 31, 2001	December 31, 2000
Due to former shareholders of Southern Security Life Insurance Company resulting from the acquisition of such entity. 6.5% note payable in five annual installments with principal payments of $158,840 due April 2005	$635,361	$794,202
Other notes payable	512,213	596,537
Total notes and contracts payable	3,635,776	4,240,830
Less current installments	600,894	615,291
Notes and contracts, excluding current installments	$3,034,882	$3,625,539

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

2002	$ 2,278,577
2003	2,199,069
2004	2,333,860
2005	1,427,640
2006	652,806
Thereafter	3,205,724
Total	$12,097,676

Interest paid approximated interest expense in 2001, 2000 and 1999.

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

The Company owns and operates several endowment care cemeteries, for which it has established and maintains an endowment care fund. The Company records a liability to the fund for each space sold at current statutory rates. The Company is not required to transfer assets to the fund until the spaces are fully paid for. As of December 31, 2000 the Company had transferred $20,373 in excess of the required contribution to the fund, and as of December 31, 2001, owed the fund $5,586.

The Company has established and maintains certain restricted asset accounts to provide for future merchandise obligations incurred in connection with its pre-need sales. Such amounts are reported as restricted assets of cemeteries and mortuaries in the accompanying balance sheet.

Assets in the restricted asset account are summarized as follows:

	December 31, 2001	December 31, 2000
Cash and cash equivalents	$475,712	$385,659
Mutual funds	188,732	169,865
Fixed maturity securities	348,737	297,331
Equity securities	77,778	77,778
Participation in mortgage loans with Security National Life	4,214,781	3,877,490
Time certificate of deposit	33,696	33,696
Total	$5,339,436	$4,841,819

8) Income Taxes

The Company's income tax liability at December 31 is summarized as follows:

	December 31, 2001	December 31, 2000
Current	$(86,569)	$57,471
Deferred	6,961,166	6,067,041
Total	$6,874,597	$6,124,512

Significant components of the Company's deferred tax assets and liabilities at December 31 are approximately as follows:

	2001	2000
Assets		
Future policy benefits	$(1,727,742)	$(2,021,798)
Unearned premium	(1,829,505)	(1,939,023)
Difference between book and tax basis of bonds	(43,176)	(49,498)
Net operating loss carryforwards expiring in the years 2002 through 2010	(84,350)	(210,848)
Other	(631,375)	(633,007)
Total deferred tax assets	(4,316,148)	(4,854,174)
Liabilities		
Deferred policy acquisition costs	$5,140,228	$5,213,517
Cost of insurance acquired	1,553,301	1,714,724
Installment sales	1,838,465	1,658,016
Depreciation	643,243	653,192
Trusts	1,162,077	1,051,602
Tax on unrealized appreciation	583,213	214,337
Other	356,789	415,827
Total deferred tax liabilities	11,277,316	10,921,215
Net deferred tax liability	$6,961,166	$6,067,041

The Company paid $564,327 and $94,365 in income taxes for 2001 and 2000, respectively, and did not pay any income taxes for 1999. The Company's income tax expense (benefit) is summarized as follows:

	2001	2000	1999
Current	$391,492	$ 44,688	$2,052
Deferred	522,047	259,952	228,464
Total	$913,539	$304,640	$230,516

8) Income Taxes (Continued)

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

	2001	2000	1999
Computed expense at statutory rate	$1,282,517	$423,682	$493,266
Special deductions allowed small life insurance companies	(356,734)	(68,769)	(122,204)
Dividends received deduction	(6,405)	(24,418)	(24,401)
Minority interest taxes	(7,466)	(19,222)	(102,828)
Other, net	1,627	(6,633)	(13,317)
Tax expense	$913,539	$304,640	$230,516

A portion of the life insurance income earned prior to 1984 was not subject to current taxation but was accumulated for tax purposes, in a "policyholders' surplus account." Under provisions of the Internal Revenue Code, the policyholders' surplus account was frozen at its December 31, 1983 balance and will be taxed generally only when distributed. As of December 31, 2001, the policyholders' surplus accounts approximated $4,500,000. Management does not intend to take actions nor does management expect any events to occur that would cause federal income taxes to become payable on that amount. However, if such taxes were accrued, the amount of taxes payable would be approximately $1,500,000.

The insurance companies have remaining loss carry forwards of approximately $620,000, approximately $286,000 of which is subject to an annual limitation of approximately $300,000.

9) Reinsurance, Commitments and Contingencies

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from $30,000 to $75,000 at December 31, 2001 and 2000. The Company is liable for these amounts in the event such reinsurers are unable to pay their portion of the claims. The Company has also assumed insurance from other companies having insurance in force amounting to $838,421,000 at December 31, 2001 and $580,287,000 at December 31, 2000.

As part of the acquisition of Southern Security, the Company has a co-insurance agreement with The Mega Life and Health Insurance Company ("MEGA"). On December 31, 1992 Southern Security ceded to MEGA 18% of all universal life policies in force at that date. MEGA is entitled to 18% of all future premiums, claims, policyholder loans and surrenders relating to the ceded policies. In addition, Southern Security receives certain commission and expense reimbursements. The funds held related to reinsurance treaties of $1,379,640 and policyholders' account balances on deposit with reinsurer of $7,148,068 represent the 18% share of policy loans and policyholder account balances ceded to MEGA as of December 31, 2001.

Mortgage loans originated and sold to unaffiliated investors are sold subject to certain recourse provisions.

The Company is a defendant in various other legal actions arising from the normal conduct of business. Management believes that none of the actions will have a material effect on the Company's financial position or results of operations.

10) Retirement Plans

The Company and its subsidiaries have a noncontributory Employee Stock Ownership Plan (ESOP) for all eligible employees. Eligible employees are primarily those with more than one year of service, who work in excess of 1,040 hours per year. Contributions, which may be in cash or stock of the Company, are determined annually by the Board of Directors. The Company's contributions are allocated to eligible employees based on the ratio of each eligible employee's compensation to total compensation for all eligible employees during each year. ESOP contribution expense totaled $191,557, $0, and $56,277 for 2001, 2000, and 1999, respectively. At December 31, 2001 the ESOP held 577,402 shares of Class A and 1,341,575 shares of Class C common stock of the Company. All shares held by the ESOP have been allocated to the participating employees and all shares held by the ESOP are considered outstanding for purposes of computing earnings per share.

The Company has a 401(k) savings plan covering all eligible employees, as defined above, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows participants to make pretax contributions up to the lesser of 15% of total annual compensation or the statutory limits. The Company may match up to 50% of each employee's investment in Company stock, up to 1/2% of the employee's total annual compensation. The Company's match will be Company stock and the amount of the match will be at the discretion of the Company's Board of Directors. The Company's matching 401(k) contributions for 2001, 2000, and 1999 were approximately $18,458, $0, and $3,858 respectively. Also, the Company may contribute at the discretion of the Company's Board of Directors an Employer Profit Sharing Contribution to the 401-K savings plan. The Employer Profit Sharing Contribution shall be divided among three different classes of participants in the plan based upon the participant's title in the Company. The Company contribution for 2001, 2000 and 1999 were $260,350, $0, and $130,958, respectively. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee.

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Board has appointed a Committee of the Company to be the Plan Administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company's contribution for 2001 was $220,038.

The Company has Deferred Compensation Agreements with its Chief Executive Officer and its recent Senior Vice President. The Deferred Compensation is payable on the retirement or death of these individuals either in monthly installments (120 months) or in a lump sum settlement, if approved by the Board of Directors. The amount payable is $60,000 per year with cost of living adjustments each anniversary. The Compensation Agreements also provides that any remaining balance will be payable to their heirs in the event of their death. In addition the Agreement provides that the Company will pay the Group Health coverages for these individuals and/or their spouses. In 2001 the Company increased its liability for these future obligations by $483,080. The current balance as of December 31, 2001 is $671,000.

11) Capital Stock

The following table summarizes the activity in shares of capital stock for the three year period ended December 31, 2001:

	Class A	Class C
Balance at December 31, 1998	4,617,330	5,446,595
Stock Dividends	231,672	264,550
Conversion of Class C to Class A	15,580	(155,795)
Stock Issued (canceled)	(851)	--
Balance at December 31, 1999	4,863,731	5,555,350
Stock Dividends	243,393	277,515
Conversion of Class C to Class A	507	(5,060)
Balance at December 31, 2000	5,107,631	5,827,805
Stock Dividends	255,413	291,104
Conversion of Class C to Class A	547	(5,479)
Balance at December 31, 2001	5,363,591	6,113,430

11) Capital Stock (Continued)

The Company has two classes of common stock with shares outstanding, Class A and Class C. Class C shares vote share for share with the Class A shares on all matters except election of one-third of the directors who are elected solely by the Class A shares, but generally are entitled to a lower dividend participation rate. Class C shares are convertible into Class A shares at any time on a ten to one ratio. Also Class A shares can be converted into Class C shares, but the conversion rights have numerous restrictions.

Stockholders of both classes of common stock have received 5% stock dividends in the years 1989 through 2001, as authorized by the Company's Board of Directors.

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

In accordance with SFAS 128, the basic and diluted earnings per share amounts were calculated as follows:

	2001	2000	1999
Numerator:			
Net income	$2,840,780	$895,729	$975,895
Denominator:			
Denominator for basic earnings per share-weighted-average shares	4,506,476	4,317,779	4,397,141
Effect of dilutive securities:			
Employee stock options	382	17,265	--
Stock appreciation rights	--	--	--
Dilutive potential common shares	382	17,265	--
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	4,506,858	4,335,044	4,397,141
Basic earnings per share	$.63	$.21	$.22
Diluted earnings per share	$.63	$.21	$.22

There are no dilutive effects on net income for purpose of this calculation.

12) Deferred Compensation Plans

In 1987, the Company adopted the 1987 Incentive Stock Option Plan (the 1987 Plan). The 1987 Plan provides that shares of the Class A Common Stock of the Company may be optioned to certain officers and key employees of the Company. The 1987 Plan establishes a Stock Option Plan Committee which selects the employees to whom the options will be granted and determines the price of the stock. The 1987 Plan establishes the minimum purchase price of the stock at an amount which is not less than 100% of the fair market value of the stock (110% for employees owning more than 10% of the total combined voting power of all classes of stock).

The 1987 Plan provides that if additional shares of Class A Common Stock are issued pursuant to a stock split or a stock dividend, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be increased proportionately with no increase in the total purchase price of the shares then covered, and the number of shares of Class A Common Stock reserved for the purpose of the 1987 Plan shall be increased by the same proportion.

In the event that the shares of Class A Common Stock of the Company from time to time issued and outstanding are reduced by a combination of shares, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be reduced proportionately with no reduction in the total price of the shares then so covered, and the number of shares of Class A Common Stock reserved for the purposes of the 1987 Plan shall be reduced by the same proportion.

The 1987 Plan terminated in 1997 and options granted are non-transferable. Options granted and outstanding under the 1987 Plan include Stock Appreciation Rights which permit the holder of the option to elect to receive cash, amounting to the difference between the option price and the fair market value of the stock at the time of the exercise, or a lesser amount of stock without payment, upon exercise of the option.

Activity of the 1987 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at December 31, 1998	163,170	$4.08 - $4.49
Dividend	8,159	
Exercised	--	
Outstanding at December 31, 1999	171,329	$3.89 - $4.28
Dividend	8,566	
Exercised	--	
Outstanding at December 31, 2000	179,895	$3.70 - $4.07
Dividend	8,995	
Exercised	--	
Outstanding at December 31, 2001	188,890	$3.53 - $3.88
Exercisable at end of year	188,890	
Available options for future grant 1987 Stock Incentive Plan	-0-	

On June 21, 1993, the Company adopted the Security National Financial Corporation 1993 Stock Incentive Plan (the "1993 Plan"), which reserved 300,000 shares of Class A Common Stock for issuance thereunder.

12) Deferred Compensation Plans (Continued)

The 1993 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

The 1993 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both "incentive stock options," as defined under Section 422A of the Internal Revenue Code of 1986 (the "Code"), and "non- qualified options" may be granted pursuant to the 1993 Plan. Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the Code, including a requirement that the option exercise price be not less than the fair market value of the option shares on the date of grant. The 1993 Plan provides that the exercise price for non-qualified options will be not less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company's Board of Directors.

The options were granted to reward certain officers and key employees who have been employed by the Company for a number of years and to help the Company retain these officers by providing them with an additional incentive to contribute to the success of the Company.

The 1993 Plan is administered by the Board of Directors or by a committee designated by the Board. The 1993 Plan provides that if the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock deliverable upon the exercise of options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend. No options may be exercised for a term of more than ten years from the date of grant.

The 1993 Plan has a term of ten years. The Board of Directors may amend or terminate the 1993 Plan at any time, subject to approval of certain modifications to the 1993 Plan by the shareholders of the Company as may be required by law or the 1993 Plan.

On November 7, 1996 the Company amended the Articles of Incorporation as follows: (i) to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 300,000 Class A shares to 600,000 Class A shares; and (ii) to provide that the stock subject to options, awards and purchases may include Class C common stock.

On October 14, 1999, the Company amended the 1993 Plan to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 746,126 Class A shares to 1,046,126 Class A shares.

12) Deferred Compensation Plans (Continued)

Activity of the 1993 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at December 31, 1998	407,339	$2.34 - $4.16
Dividend	24,762	
Granted	190,000	
Expired	(102,103)	
Outstanding at December 31, 1999	519,998	$2.22 - $3.96
Dividend	27,313	
Granted	26,000	
Outstanding at December 31, 2000	573,311	$2.12 - $3.77
Dividend	36,765	
Granted	172,500	
Expired	(10,513)	
Outstanding at December 31, 2001	772,063	$2.02 - $3.59
Exercisable at end of year	573,298	
Available options for future grant 1993 Stock Incentive Plan	365,099	

On October 16, 2000, the Company adopted the Security National Financial Corporation 2000 Director Stock Option Plan (the "2000 Plan"), which reserved 50,000 shares of Class A Common Stock for issuance thereunder. Effective November 1, 2000, and on each anniversary date thereof during the term of the 2000 Plan, each outside Director who shall first join the Board after the effective date shall be granted an option to purchase 1,000 shares upon the date which such person first becomes an outside Director and an annual grant of an option to purchase 1,000 shares on each anniversary date thereof during the term of the 2000 Plan. The options granted to outside Directors shall vest in their entirety on the first anniversary date of the grant.

The primary purposes of the 2000 Plan are to enhance the Company's ability to attract and retain well-qualified persons for service as directors and to provide incentives to such directors to continue their association with the Company.

The 2000 Plan provides that if the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock deliverable upon the exercise of options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivisions, combination or stock dividend.

12) Deferred Compensation Plans (Continued)

The term of the 2000 Plan will be five years.

Activity of the 2000 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at December 31, 1999	0	
Dividend	200	
Granted	4,000	
Outstanding at December 31, 2000	4,200	$2.14
Dividend	410	
Granted	4,000	
Outstanding at December 31, 2001	8,610	$2.04 - $2.43
Exercisable at end of year	4,412	
Available options for future grant 2000 Director Plan	46,515	

13) Statutory-Basis Financial Information

The Company's life insurance subsidiaries are domiciled in Utah and Florida and prepare their statutory-basis financial statements in accordance with accounting practices prescribed or permitted by the Utah and Florida Insurance Departments. "Prescribed" or "Permitted" statutory accounting practices are interspersed throughout state insurance laws and regulations. The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual version effective January 1, 2001, has been adopted as a prescribed or permitted practices by the States of Utah and Florida.

Statutory net income and statutory stockholder's equity for the life subsidiaries as reported to state regulatory authorities, is presented below:

	Statutory Net Income (Loss) December 31,		
	2001	2000	1999
Security National Life	$1,732,018	$796,047	$628,538
Southern Security Life	(429,143)	80,477	533,233

	Statutory Stockholders' Equity December 31,		
	2001	2000	1999
Security National Life	$16,316,605	$14,309,515	$12,089,618
Southern Security Life	8,459,700	8,405,211	8,976,516

13) Statutory-Basis Financial Information (Continued)

Generally, the net assets of the life insurance subsidiaries available for transfer to the Company are limited to the amounts that the life insurance subsidiaries net assets, as determined in accordance with statutory accounting practices, exceed minimum statutory capital requirements; however, payments of such amounts as dividends are subject to approval by regulatory authorities.

The Utah and Florida Insurance Departments impose minimum risk-based capital requirements that were developed by the NAIC on insurance enterprises. The formulas for determining the risk-based capital ("RBC") specify various factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio (the "Ratio") of the enterprise's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The life insurance subsidiaries have a Ratio that is greater than 690% of the first level of regulatory action.

14) Business Segment Information

Description of Products and Services by Segment

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

Measurement of Segment Profit or Loss and Segment Assets

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

Factors Management Used to Identify the Enterprise's Reportable Segments

The Company's reportable segments are business units that offer different products and are managed separately due to the different products and the need to report to the various regulatory jurisdictions.

14) Business Segment Information

2001

	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$13,150,875	$10,603,451	$40,086,097	$ --	$63,840,423
Net investment income	7,018,047	959,655	4,968,797	--	12,946,499
Realized gains on investments	10,428	--	--	--	10,428
Other revenues	53,053	42,356	56,536	--	151,945
Intersegment revenues:					
Net investment income	3,679,133	--	--	(3,679,133)	--
	23,911,536	11,605,462	45,111,430	(3,679,133)	76,949,295
Expenses:					
Death and other policy benefits	6,821,845	--	--	--	6,821,845
Increase in future policy benefits	4,953,008	--	--	--	4,953,008
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	3,561,895	308,263	--	--	3,870,158
Depreciation	330,892	595,082	103,162	--	1,029,136
General, administrative and other costs:					
Intersegment	--	36,672	136,867	(173,539)	--
Other	7,035,455	9,396,691	37,280,266	--	53,712,412
Interest expense:					
Intersegment	98,095	243,732	3,163,767	(3,505,594)	--
Other	317,988	418,489	2,054,150	--	2,790,627
	23,119,178	10,998,929	42,738,212	(3,679,133)	73,177,186
Earnings (losses) before income taxes	$792,358	$606,533	$2,373,218	$ --	$3,772,109
Identifiable assets	$201,193,249	$38,915,291	$6,411,222	$(33,460,187)	$213,059,575
Expenditures for long-lived assets	$219,762	$505,045	$323,014	$ --	$1,047,821

SECURITY NATIONAL FINANCIAL CORPORATION
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14) Business Segment Information

2000

	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$12,875,585	$9,416,927	$22,921,585	$ --	$45,214,097
Net investment income	8,222,688	716,813	3,196,571	--	12,136,072
Realized gains on investments	423,805	--	--	--	423,805
Other revenues	85,927	23,479	195,480	--	304,886
Intersegment revenues:					
Net investment income	2,551,644	--	--	(2,551,644)	--
	24,159,649	10,157,219	26,313,636	(2,551,644)	58,078,860
Expenses:					
Death and other policy benefits	5,662,062	--	--	--	5,662,062
Increase in future policy benefits	7,268,720	--	--	--	7,268,720
Amortization of deferred policy acquisition costs and cost of insurance acquired	3,188,752	--	--	--	3,188,752
Depreciation	322,418	451,259	61,744	--	835,421
General, administrative and other costs:					
Intersegment	--	36,672	101,288	(137,960)	--
Other	5,585,178	9,369,839	22,796,596	--	37,751,613
Interest expense:					
Intersegment	--	210,984	2,202,700	(2,413,684)	--
Other	394,868	518,845	1,212,456	--	2,126,169
	22,421,998	10,587,599	26,374,784	(2,551,644)	56,832,737
Earnings (losses) before income taxes	$1,737,651	$(430,380)	$(61,148)	$ --	$1,246,123
Identifiable assets	$199,694,971	$36,704,436	$3,495,907	$(31,148,813)	$208,746,501
Expenditures for long-lived assets	$260,836	$680,626	$220,856	$ --	$1,162,318

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2001, 2000, and 1999

14) Business Segment Information (Continued)

1999

	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$13,175,825	$10,178,246	$14,503,388	$ --	$37,857,459
Net investment income	8,339,759	733,377	1,558,166	--	10,631,302
Realized gains on investments	313,013	--	--	--	313,013
Other revenues	818,631	22,856	14,117	--	855,604
Intersegment revenues:					
Net investment income	1,789,089	--	--	(1,789,089)	--
	24,436,317	10,934,479	16,075,671	(1,789,089)	49,657,378
Expenses:					
Death and other policy benefits	6,274,926	--	--	--	6,274,926
Increase in future policy benefits	5,700,784	--	--	--	5,700,784
Amortization of deferred policy acquisition costs and cost of insurance acquired	4,857,662	--	--	--	4,857,662
Depreciation	321,012	452,224	44,633	--	817,869
General, administrative and other costs:					
Intersegment	--	36,672	85,719	(122,391)	--
Other	5,341,843	9,886,188	14,207,923	--	29,435,954
Interest expense:					
Intersegment	--	181,972	1,484,726	(1,666,698)	--
Other	377,375	540,051	201,976	--	1,119,402
	22,873,602	11,097,107	16,024,977	(1,789,089)	48,206,597
Earnings (losses) before income taxes	$1,562,715	$(162,628)	$50,694	$ --	$1,450,781
Identifiable assets	$198,772,156	$34,013,032	$11,020,380	$(29,507,131)	$214,298,437
Expenditures for long-lived assets	$11,268	$527,658	$90,819	$ --	$629,745

15) Disclosure about Fair Value of Financial Instruments

The fair values of investments in fixed maturity and equity securities along with methods used to estimate such values are disclosed in Note 2. The following methods and assumptions were used by the Company in estimating the "fair value" disclosures related to other significant financial instruments:

Cash, Receivables, Short-term Investments, and Restricted Assets of the Cemeteries and Mortuaries: The carrying amounts reported in the accompanying balance sheets for these financial instruments approximate their fair values.

Mortgage, Policy, Student, and Collateral Loans: The fair values are estimated using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying amounts reported in the accompanying balance sheets for these financial instruments approximate their fair values.

Investment Contracts: The fair values for the Company's liabilities under investment- type insurance contracts are estimated based on the contracts' cash surrender values. The carrying amount and fair value as of December 31, 2001 were approximately $86,544,000 and $83,021,000, respectively.

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

16) Other Comprehensive Income

The following summarizes other comprehensive income:

	2001	2000	1999
Unrealized gains (losses) on available for-sale securities	$769,684	$736,803	$(696,162)
Less: reclassification adjustment for net realized gains in net income	(10,428)	(420,739)	(14,126)
Net unrealized gains (losses)	759,256	316,064	(710,288)
Tax expense on net unrealized gain (losses)	(372,077)	(145,004)	294,866
Other comprehensive income (loss)	$387,179	$171,060	$(415,422)

Schedule I

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Summary of Investments
Other than Investments in Related Parties

As of December 31, 2001:

Type of Investment	Amortized Cost	Estimated Fair Value	Amount at Which Shown in the Balance Sheet
Fixed maturity securities held to maturity:			
Bonds:			
U.S. Treasury securities and obligations of U.S. Government agencies	$4,212,280	$4,439,726	$4,212,280
Obligations of states and political subdivisions	180,660	185,484	180,660
Corporate securities including public utilities	19,206,038	19,773,918	19,206,038
Mortgage backed securities	4,172,926	4,270,550	4,172,926
Redeemable preferred stocks	28,005	28,308	28,005
Total Fixed Securities held to maturity	27,799,909	28,697,986	27,799,909
Securities available for sale:			
Bonds:			
U.S. Treasury securities and obligations of U.S. Government agencies	594,568	652,983	652,983
Corporate securities including public utilities	19,971,265	20,817,746	20,817,746
Mortgage-backed securities	--	--	--
Nonredeemable preferred stock	56,031	81,250	81,250
Common stock:			
Public utilities	315,068	504,243	504,243
Banks, trusts and insurance companies	195,983	389,210	389,210
Industrial, miscellaneous and all other	1,038,898	1,666,846	1,666,846
Total Securities available for sale	22,171,813	24,112,278	24,112,278
Mortgage loans on real estate	15,479,305		15,479,305
Real estate	9,051,691		9,051,691
Policy loans	11,277,975		11,277,975
Other investments	1,453,644		1,453,644
Total investments	$87,234,337		$89,174,802

Schedule II

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets

	December 31, 2001	December 31, 2000
Assets		
Cash$	1,065	$(29,690)
Investment in subsidiaries (equity method)	46,128,864	40,954,743
Receivables:		
Receivable from affiliates	1,664,955	1,731,480
Other	(42,743)	18,008
Total receivables	1,622,212	1,749,488
Property, plant and equipment, at cost, net of accumulated depreciation of $457,338 for 2001 and $344,296 for 2000	427,345	537,433
Other assets	21,366	47,004
Total assets	$48,200,852	$43,258,978

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets (Continued)

	December 31, 2001	December 31, 2000
Liabilities:		
Bank loans payable:		
Current installments	$ 1,386,857	$ 1,035,585
Long-term	4,168,453	5,294,808
Notes and contracts payable:		
Current installments	152,818	152,818
Long-term	--	151,857
Advances from affiliated companies	10,431,231	8,603,996
Other liabilities and accrued expenses	996,228	513,877
Income taxes	1,095,947	764,676
Total liabilities	18,231,534	16,517,617
Stockholders' equity:		
Common Stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 5,363,591 shares in 2001 and 5,107,631 shares in 2000	10,727,182	10,215,262
Class C: $0.20 par value, authorized 7,500,000 shares, issued 6,113,430 shares in 2001 and 5,827,805 shares in 2000	1,222,686	1,165,561
Total common stock	11,949,868	11,380,823
Additional paid-in capital	10,168,523	10,054,714
Accumulated other comprehensive income	1,223,930	836,751
Retained earnings	9,989,230	7,831,306
Treasury stock at cost (1,294,716 Class A shares and 68,332 Class C shares in 2001; 1,233,064 Class A shares and 65,078 Class C shares in 2000, held by affiliated companies)	(3,362,233)	(3,362,233)
Total stockholders' equity	29,969,318	26,741,361
Total liabilities and stockholders' equity	$ 48,200,852	$ 43,258,978

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Statements of Earnings

	Year Ended December 31, 2001	2000	1999
Revenue:			
Net investment income	$ 188	$ 96	$ 39,694
Fees from affiliates	3,824,259	3,878,458	3,838,704
Total revenue	3,824,447	3,878,554	3,878,398
Expenses:			
General and administrative expenses	4,082,438	1,873,323	2,396,015
Interest expense	373,815	593,228	641,282
Total expenses	4,456,253	2,466,551	3,037,297
Earnings (loss) before income taxes, and earnings of subsidiaries	(631,806)	1,412,003	841,101
Income tax expense	(531,271)	(373,075)	(277,810)
Equity in earnings (loss) of subsidiaries	4,003,856	(143,199)	412,604
Net earnings	$ 2,840,779	$ 895,729	$ 975,895

See accompanying notes to parent company only financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)
Statements of Cash Flow

	Year Ended December 31, 2001	2000	1999
Cash flows from operating activities:			
Net earnings	$ 2,840,779	$ 895,729	$ 975,895
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	113,042	29,904	533
Undistributed (earnings) losses of affiliates	(4,003,856)	143,199	(412,604)
Provision for income taxes	531,271	373,075	277,810
Change in assets and liabilities:			
Accounts receivable	60,751	558	57,802
Other assets	25,638	25,637	(72,245)
Other liabilities	282,350	1,836	17,687
Net cash provided by operating activities	(150,025)	1,469,938	844,878
Cash flows from investing activities:			
Purchase of short-term investments	--	--	(11,045)
Proceeds from sale of short term investments	--	--	305,972
Purchase of equipment	(2,954)	(556,802)	(11,002)
Investment in subsidiaries	--	--	(6,388,198)
Net cash used in investing activities	(2,954)	(556,802)	(6,104,273)
Cash flows from financing activities:			
Proceeds from advances from affiliates	1,922,758	303,299	6,388,198
Payments of advances to affiliates	(28,998)	(101,514)	(169,023)
Payments of notes and contracts payable	(1,676,940)	(1,128,972)	(1,094,150)
Purchase of treasury stock	(783,086)	--	--
Proceeds from borrowings on notes and contracts payable	750,000	--	--
Net cash provided (used) by financing activities	183,734	(927,187)	5,125,025
Net change in cash	30,755	(14,051)	(134,370)
Cash at beginning of year	(29,690)	(15,639)	118,731
Cash at end of year	$ 1,065	$ (29,690)	$ (15,639)

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

1) Bank Loans Payable

Bank loans payable are summarized as follows:

	December 31, 2001	December 31, 2000
$4,171,803 revolving line of credit at 6.15% interest payable monthly and a reduction in principal due in semi-annual installments collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005	$3,703,767	$4,904,426
6.59% note payable in monthly installments of $34,680 including principal and interest, collateralized by 15,000 shares of Security National Life stock, due December 2004	1,101,543	1,425,967
7.35% note payable in monthly installments of $14,975 including principal and interest collaterized by 15,000 shares of Security National Life Insurance Company stock, due December 2006	750,000	--
Total bank loans	5,555,310	6,330,393
Less current installments	1,386,857	1,035,585
Bank loans, excluding current installments	$4,168,453	$5,294,808

2) Notes and Contracts Payable

Notes and contracts are summarized as follows:

	December 31, 2001	December 31, 2000
10 year notes due April 16, 1999, 1% over U.S. Treasury 6 month bill rate	$ 536	$ 536
Due to former stockholders of Civil Service Employees Life Insurance Company resulting from the acquisition of such entity. 7% note payable in seven annual principal payments of $151,857 due December 2002	151,857	303,714
Other	425	425
Total notes and contracts	152,818	304,675
Less current installments	152,818	152,818
Notes and contracts, excluding current installments	$ --	$151,857

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

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

2002	$1,539,675
2003	1,504,827
2004	1,632,508
2005	845,186
2006	185,932
Thereafter	--
Total	$5,708,128

3) Advances from Affiliated Companies

	December 31, 2001	December 31, 2000
Non-interest bearing advances from affiliates:		
Cemetery and Mortuary subsidiary	$ 1,366,930	$ 1,366,930
Life Insurance subsidiary	9,054,301	7,227,066
Mortgage subsidiary	10,000	10,000
	$10,431,231	$ 8,603,996

4) Dividends

No dividends have been paid to the registrant for each of the last three years by any subsidiaries.

Schedule IV

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Reinsurance

	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
2001					
Life Insurance in force ($000)	$ 1,587,136	$ 216,369	$ 838,421	$ 2,209,188	37.9%
Premiums:					
Life Insurance	$12,930,418	$ 1,035,984	$ 845,736	$12,740,170	6.6%
Accident and Health Insurance	406,393	285	4,597	410,705	1.1%
Total premiums	$13,336,811	$ 1,036,269	$ 850,333	$13,150,875	6.5%
2000					
Life Insurance in force ($000)	$ 1,469,502	$ 253,698	$ 580,287	$ 1,796,091	32.3%
Premiums:					
Life Insurance	$12,934,701	$ 1,151,262	$ 634,899	$12,418,338	5.11%
Accident and Health Insurance	454,656	427	3,018	457,247	.66%
Total premiums	$13,389,357	$ 1,151,689	$ 637,917	$12,875,585	4.95%
1999					
Life Insurance in force ($000)	$ 1,532,597	$ 296,936	$ 581,296	$ 1,816,957	32.00%
Premiums:					
Life Insurance	$12,983,927	$ 1,063,696	$ 722,080	$12,642,311	5.71%
Accident and Health Insurance	563,592	34,643	4,565	533,514	.85%
Total premiums	$13,547,519	$ 1,098,339	$ 726,645	$13,175,825	5.51%

Schedule V

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Valuation and Qualifying Accounts

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions, Disposals and Write-offs	Balance at End of Year
For the Year Ended December 31, 2001				
Accumulated depreciation on real estate	$3,088,761	321,235	(5,352)	$3,404,644
Accumulated depreciation on property, plant and equipment	6,699,141	1,029,137	(42,665)	7,685,613
Allowance for doubtful accounts	1,656,223	832,798	(201,780)	2,287,241
Allowance for real estate losses	--	119,269	--	119,269
For the Year Ended December 31, 2000				
Accumulated depreciation on real estate	$2,722,024	$ 366,737	$ --	$3,088,761
Accumulated depreciation on property, plant and equipment	5,989,643	835,421	(125,923)	6,699,141
Allowance for doubtful accounts	1,467,954	190,930	(2,661)	1,656,223
For the Year Ended December 31, 1999				
Accumulated depreciation on real estate	$2,380,874	$ 369,557	$ (28,407)	$2,722,024
Accumulated depreciation on property, plant and equipment	5,312,791	817,869	(141,017)	5,989,643
Allowance for doubtful accounts	1,576,668	150,981	(259,695)	1,467,954

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 10. Directors and Executive Officers

The Company's Board of Directors consists of eight persons, four of whom are not employees of the Company. There is no family relationship between or among any of the directors, except that Scott M. Quist and G. Robert Quist are the sons of George R. Quist. The following table sets forth certain information with respect to the directors and executive officers of the Company.

Name	Age	Position with the Company
George R. Quist	81	Chairman of the Board, President and Chief Executive Officer
Scott M. Quist	48	First Vice President, General Counsel, Chief Operating Officer and Director
Stephen M. Sill	56	Vice President, Treasurer and Chief Financial Officer
G. Robert Quist	50	Vice President and Secretary
J. Lynn Beckstead, Jr.	48	Vice President and Director
Charles L. Crittenden	82	Director
Robert G. Hunter	42	Director
H. Craig Moody	48	Director
Norman G. Wilbur	63	Director

Committees of the Board of Directors include an executive committee, on which Messrs. George Quist, Scott Quist, and Moody serve; an audit committee, on which Messrs. Crittenden, Moody, and Wilbur serve; and a compensation committee, on which Messrs. Crittenden, Wilbur, and George Quist serve.

Directors

The following is a description of the business experience of each of the Company's directors.

George R. Quist has been Chairman of the Board, President and Chief Executive Officer of the Company since October 1979. Mr. Quist has also served as Chairman of the Board, President and Chief Executive Officer of Southern Security Life Insurance Company since December 1998. From 1960 to 1964, he was Executive Vice President and Treasurer of Pacific Guardian Life Insurance Company. From 1946 to 1960, he was an agent, District Manager and Associate General Agent for various insurance companies. Mr. Quist also served from 1981 to 1982 as the President of The National Association of Life Companies, a trade association of 642 life insurance companies, and from 1982 to 1983 as its Chairman of the Board.

Scott M. Quist has been First Vice President, General Counsel and a director of the Company since May 1986 and its Chief Operating Officer since October 2001. Mr. Quist has also served as First Vice President, General Counsel and a director of Southern Security Life Insurance Company since December 1998 and its Chief Operating Officer since

October 2001. From 1980 to 1982, Mr. Quist was a tax specialist with Peat, Marwick, Mitchell, & Co., in Dallas, Texas. From 1986 to 1991, he was a treasurer and director of The National Association of Life Companies, a trade association of 642 insurance companies until its merger with the American Council of Life Companies. Mr. Quist has been a member of the Board of Governors of the Forum 500 Section (representing small insurance companies) of the American Council of Life Insurance. Mr. Quist has also served as regional director of Key Bank of Utah since November 1993. Mr. Quist is currently a director and immediate past president of the National Alliance of Life Companies, a trade association of over 200 life companies.

J. Lynn Beckstead Jr. has been a Vice President and a director of the Company since March 15, 2002. Mr. Beckstead has also served as Vice President and director of Southern Security Life Insurance Company since March 15, 2002. In addition, he is President of Security National Mortgage Company, an affiliate of the Company, and has served in this position since July 1993. From 1980 to 1993, Mr. Beckstead was Vice President and a director of Republic Mortgage Corporation. From 1983 to 1990, Mr. Beckstead was Vice President and director of Richards Woodbury Mortgage Corporation. From 1980 to 1983, he was a principal broker for Boardwalk Properties. From 1978 to 1980, Mr. Beckstead was a residential loan officer for Medallion Mortgage Company. From 1977 to 1978, he was a residential construction loan manager of Citizens Bank.

Charles L. Crittenden has been a director of the Company since October 1979. Mr. Crittenden is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Mr. Crittenden has been sole stockholder of Crittenden Paint & Glass Company since 1958. He is also an owner of Crittenden Enterprises, a real estate development company and Chairman of the Board of Linco, Inc.

Robert G. Hunter, M.D. has been a director of the Company since October 1998. Dr. Hunter is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Dr. Hunter is currently a practicing physician in private practice. Dr. Hunter created the State Wide E.N.T. Organization (Rocky Mountain E.N.T., Inc.) where he is currently a member of the Executive Committee. He is Chairman of Surgery at Cottonwood Hospital, a delegate to the Utah Medical Association and a delegate representing Utah to the American Medical Association, and a member of several medical advisory boards.

H. Craig Moody has been a director of the Company since September 1995. Mr. Moody is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Mr. Moody is owner of Moody & Associates, a political consulting and real estate company. He is a former Speaker and House Majority Leader of the House of Representatives of the State of Utah.

Norman G. Wilbur has been a director of the Company since October 1998. Mr. Wilbur is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Mr Wilbur worked for J.C. Penny's regional offices in budget and analysis. His final position was Manager of Planning and Reporting for J.C. Penney's stores. After 36 years with J.C. Penny's, he took an option of an early retirement in 1997. Mr. Wilbur is a past board member of a homeless organization in Plano, Texas.

Executive Officers

The following is a description of the Company's executive officers, who are not also directors of the Company.

Stephen M. Sill has been Vice President, Treasurer and Chief Financial Officer of the Company since March 15, 2002. He has been a Vice President, Treasurer and Chief Financial Officer of Southern Security Life Insurance Company since March 15, 2002. From 1997 to 2002, Mr. Sill was Vice President and Controller of the Company. From 1998 to 2002, Mr. Sill also served as Vice President and Controller of Southern Security Life Insurance Company. From 1994 to 1997 Mr. Sill was Vice President and Controller of Security National Life Insurance Company. From 1989 to 1993, he was Controller of Flying J. From 1978 to 1989, Mr. Sill was Senior Vice President and Controller of Surety Life Insurance Company. From 1975 to 1978, he was Vice President and Controller of Sambo's Restaurant, Inc. From 1974 to 1975, Mr. Sill was Director of Reporting of Northwest Pipeline Corporation. From 1970 to 1974, he was an auditor with Arthur Andersen & Co. Mr. Sill is a director of the Insurance Accounting and Systems Association (IASA), a national association of over 1,300 insurance companies and associate members.

G. Robert Quist has been Vice President and Secretary of the Company since March 15, 2002. Mr. Quist is also a director of Southern Security Life Insurance Company since April 1999 and has been Vice President and Secretary since March 15, 2002. He has served as President and a director of Big Willow Water Company since 1987 and as a director of Associated Investors Company of Hawaii since 1987. He has also served as a director and Secretary-Treasurer of the Utah Cemetery Association since 1987.

The Board of Directors of the Company has a written procedure which requires disclosure to the board of any material interest or any affiliation on the part of any of its officers, directors or employees which is in conflict or may be in conflict with the interests of the Company.

No director, officer or 5% stockholder of the Company or its subsidiaries, or any affiliate thereof has had any transactions with the Company or its subsidiaries during 2001 or 2000.

Each of the Directors of the Company are directors of Southern Security Life Insurance Company, which has a class of equity securities registered under the Securities Exchange Act of 1934. In addition, Scott M. Quist is a director of Key Bank of Utah. All directors of the Company hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified.

Item 11. Executive Officer Compensation

The following table sets forth, for each of the last three fiscal years, the compensation received by George R. Quist, the Company's President and Chief Executive Officer, and all other executive officers (collectively, the "Named Executive Officers") at December 31, 2001 whose salary and bonus for all services in all capacities exceed $100,000 for the fiscal year ended December 31, 2001.

Summary Compensation Table

				Annual Compensation			Long-Term Compensation	
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compen-sation($)(2)	Restricted Stock Awards($)	Securities Underlying Options/SARs(#)	Long-Term Incentive Payout($)	All Other Compen-sation($)(3)
George R. Quist (1)	2001	148,737	20,200	2,400	0	50,000	0	36,795
Chairman of the Board,	2000	147,204	20,200	2,400	0	50,000	0	5,281
President and Chief Executive Officer	1999	147,204	20,200	2,400	0	50,000	0	20,247
William C. Sargent	2001	137,643	17,325	4,500	0	45,000	0	38,148
Senior Vice President,	2000	147,798	17,325	4,500	0	45,000	0	637
Secretary and Director	1999	148,058	17,325	4,500	0	45,000	0	16,879
Scott M. Quist (1)	2001	152,525	20,000	7,200	0	35,000	0	34,727
First Vice President,	2000	140,400	18,770	7,200	0	35,000	0	637
General Counsel Treasurer and Director	1999	129,400	18,770	7,200	0	35,000	0	15,201

(1) George R. Quist is the father of Scott M. Quist.

(2) The amounts indicated under "Other Annual Compensation" consist of payments related to the operation of automobiles by the Named Executive Officers. However, such payments do not include the furnishing of an automobile by the Company to George R. Quist and Scott M. Quist nor the payment of insurance and property taxes with respect to the automobiles operated by the Named Executive Officers.

(3) The amounts indicated under "All Other Compensation" consist of (a) amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Non-qualified Deferred Compensation Plan (for fiscal 2001, such amounts were George R. Quist, $32,077; William C. Sargent, $37,523; and Scott M. Quist, $34,102); (b) insurance premiums paid by the Company with respect to a group life insurance plan for the benefit of the Named Executive Officers (for fiscal 2001, $1,911 was paid for all Named Executive Officers as a group, or $637 each for George R. Quist, William C. Sargent and Scott M. Quist); and (c) life insurance premiums paid by the Company for the benefit of the family of George R. Quist ($4,644). The amounts under "All Other Compensation" do not include the no interest loan in the amount of $172,000 that the Company made to George R. Quist on April 29, 1998, to exercise stock options. See "Item 13 Certain Relationships and Related Transactions".

The following table sets forth information concerning the exercise of options to acquire shares of the Company's Common Stock by the Named Executive Officers during the fiscal year ended December 31, 2001, as well as the aggregate number and value of unexercised options held by the Named Executive Officers on December 31, 2001.

Aggregated Option/SAR Exercised in Last Fiscal Year and Fiscal Year-End Option/SAR Values:

			Number of Securities Underlying Unexercised Options/SARs at December 31, 2001(#)		Value of Unexercised In-the-Money Options/SARs at December 31, 2001	
Name	Shares Acquired on Exercise (#)	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
George R Quist	-0-	$0	182,471	42,000	$0	$ 408
William C Sargent	-0-	$0	261,292	42,000	$0	$10,008
Scott M Quist	-0-	$0	139,306	42,000	$0	$10,008

Retirement Plans

George R. Quist, who has been Chairman, President and Chief Executive Officer of the Company since 1979, has a Deferred Compensation Agreement, dated December 8, 1988, with the Company (the "Compensation Agreement"). This Compensation Agreement was amended effective January 2, 2001, to reflect the following benefits. The employment agreements between the Company and George R. Quist be amended to adjust for inflation in accordance with the United States Consumer Index commencing January 2, 2002, and for each year thereafter of the term of the agreement and that for the year 2001 the adjustment for his retirement is $60,000 per year instead of $50,000 per year. The agreements shall also be amended to provide his spouse, in the event of his pre-mature death, with health insurance coverage equivalent to that carried on executive personnel with the coverage for the entire period of the agreement. In the event of death of George R. Quist and his spouse prior to the expiration of the terms of the agreement, payments shall be paid to his estate or as otherwise directed by him in writing.

The Compensation Agreement further provides that the Board of Directors may elect to pay the entire amount of deferred compensation in the form of a single lump-sum payment or other installment payments, so long as the term of such payments do not exceed 10 years. However, in the event Mr. Quist's employment with the Company is terminated for any reason other than retirement, death or disability, the entire deferred compensation shall be forfeited by him. The Company has accrued a liability for the Compensation Agreement at December 31, 2001 of $276,441.

William C. Sargent, recently deceased, who was the former Senior Vice President and Secretary of the Company, had a Deferred Compensation Agreement dated April 15, 1994, with the Company (the "Compensation Agreement"). This Compensation Agreement was amended effective January 2, 2001, to reflect the following benefits. The employment agreement between the Company and William C. Sargent be amended to adjust for inflation in accordance with the United States Consumer Index commencing January 2, 2002, and for each year thereafter of the term of the agreement and that for the year 2001 the adjustment for his retirement is $60,000 per year instead of $50,000 per year. The agreements shall also be amended to provide his spouse, in the event of his pre-mature death, with health insurance coverage equivalent to that carried on executive personnel with the coverage for the entire period of the agreement. In the event of death of William C. Sargent and his spouse prior to the expiration of the terms of the agreement, payments shall be paid to his estate or as otherwise directed by him in writing.

The Compensation Agreement further provides that the Board of Directors may elect to pay the entire amount of deferred compensation in the form of a single lump-sum payment or other installment payments, so long as the term of such payments do not exceed 10 years. The Company has accrued a liability for the Compensation Agreement at December 31, 2001 in the amount of $394,639 and has begun making payments to Mr. Sargent's spouse.

Employment Agreement

The Company maintains an employment agreement with Scott M. Quist. The agreement, which has a five year term, was entered into in 1996, and renewed in 1997. Under the terms of the agreement, Mr. Quist is to devote his full time to the Company serving as its First Vice President, General Counsel and Chief Operating Officer at not less than his current salary and benefits, and to include $500,000 of life insurance protection. In the event of disability, Mr. Quist's salary would be continued for up to 5 years at 50% of its current level. In the event of a sale or merger of the Company, and Mr. Quist were not retained in his current position, the Company would be obligated to continue Mr. Quist's current compensation and benefits for seven years following the merger or sale.

Director Compensation

Directors of the Company (but not including directors who are employees) are paid a director's fee of $10,200 per year by the Company for their services and are reimbursed for their expenses in attending board and committee meetings. No additional fees are paid by the Company for committee participation or special assignments. However, each director is provided with an annual grant of stock options to purchase 1,000 shares of Class A Common Stock under the 2000 Director Stock Option Plan.

Employee 401(k) Retirement Savings Plan

In 1995, the Company's Board of Directors adopted a 401(k) Retirement Savings Plan. Under the terms of the 401(k) plan, effective as of January 1, 1995, the Company may make discretionary employer matching contributions to its employees who choose to participate in the plan. The plan allows the board to determine the amount of the contribution at the end of each year. The Board adopted a contribution formula specifying that such discretionary employer matching contributions would equal 50% of the participating employee's contribution to the plan to purchase Company stock up to a maximum discretionary employee contribution of 1/2% of a participating employee's compensation, as defined by the plan.

All persons who have completed at least one year's service with the Company and satisfy other plan requirements are eligible to participate in the 401(k) plan. All Company matching contributions are invested in the Company's Class A Common Stock. The Company's matching contributions for 2001, 2000, and 1999 were approximately $18,458, $0, and $3,858 respectively. Also, the Company may contribute at the discretion of the Company's Board of Directors an Employer Profit Sharing Contribution to the 401-K plan. The Employer Profit Sharing Contribution shall be divided among three different classes of participants in the plan based upon the participant's title in the Company. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee. The Company's contributions to the plan for 2001, 2000 and 1999, were $260,350, $0 and $130,958, respectively.

Employee Stock Ownership Plan

Effective January 1, 1980, the Company adopted an employee stock ownership plan (the "Ownership Plan") for the benefit of career employees of the Company and its subsidiaries. The following is a description of the Ownership Plan, and is qualified in its entirety by the Ownership Plan, a copy of which is available for inspection at the Company's offices.

Under the Ownership Plan, the Company has discretionary power to make contributions on behalf of all eligible employees into a trust created under the Ownership Plan. Employees become eligible to participate in the Ownership Plan when they have attained the age of 19 and have completed one year of service (a twelve-month period in which the Employee completes at least 1,040 hours of service). The Company's contributions under the Ownership Plan are allocated to eligible employees on the same ratio that each eligible employee's compensation bears to total compensation for all eligible employees during each year. To date, the Ownership Plan has approximately 107 participants and had $191,557 contributions payable to the Plan in 2001. Benefits under the Ownership Plan vest as follows: 20% after the third year of eligible service by an employee, an additional 20% in the fourth, fifth, sixth and seventh years of eligible service by an employee.

Benefits under the Ownership Plan will be paid out in one lump sum or in installments in the event the employee becomes disabled, reaches the age of 65, or is terminated by the Company and demonstrates financial hardship. The Ownership Plan Committee, however, retains discretion to determine the final method of payment. Finally, the Company reserves the right to amend or terminate the Ownership Plan at any time. The trustee of the trust fund under the Ownership Plan is Mr. George R. Quist, who serves as a director of the Company.

Deferred Compensation Plan

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Deferred Compensation Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The board has appointed a committee of the Company to be the plan administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company's contribution for 2001 was $220,038.

1987 Incentive Stock Option Plan

In 1987, the Company adopted the 1987 Incentive Stock Option Plan (the 1987 Plan). The 1987 Plan provides that shares of the Class A Common Stock of the Company may be optioned to certain officers and key employees of the Company. The Plan establishes a Stock Option Plan Committee which selects the employees to whom the options will be granted and determines the price of the stock. The Plan establishes the minimum purchase price of the stock at an amount which is not less than 100% of the fair market value of the stock (110% for employees owning more than 10% of the total combined voting power of all classes of stock).

The Plan provides that if additional shares of Class A Common Stock are issued pursuant to a stock split or a stock dividend, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be increased proportionately with no increase in the total purchase price of the shares then so covered, and the number of shares of Class A Common Stock reserved for the purpose of the Plan shall be increased by the same proportion. In the event that the shares of Class A Common Stock of the Company from time to time issued and outstanding are reduced by a combination of shares, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be reduced proportionately with no reduction in the total price of the shares then so covered, and the number of shares of Class A Common Stock reserved for the purposes of the Plan shall be reduced by the same proportion.

The Plan terminated in 1997 and options granted are non-transferable. The Plan permits the holder of the option to elect to receive cash, amounting to the difference between the option price and the fair market value of the stock at the time of the exercise, or a lesser amount of stock without payment, upon exercise of the option.

1993 Stock Option Plan

On June 21, 1993, the Company adopted the Security National Financial Corporation 1993 Stock Incentive Plan (the "1993 Plan"), which reserves shares of Class A Common Stock for issuance thereunder. The 1993 Plan was approved at the annual meeting of the stockholders held on June 21, 1993. The 1993 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

The 1993 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both "incentive stock options," as defined under Section 422A of the Internal Revenue Code of 1986 (the "Code"), and "non-qualified options" may be granted pursuant to the 1993 Plan. The exercise prices for the options granted are equal to or greater than the fair market value of the stock subject to such options as of the date of grant, as determined by the Company's Board of Directors. The options granted under the 1993 Plan, were to reward certain officers and key employees who have been employed by the Company for a number of years and to help the Company retain these officers by providing them with an additional incentive to contribute to the success of the Company.

The 1993 Plan is to be administered by the Board of Directors or by a committee designated by the Board. The terms of options granted or stock awards or sales effected under the 1993 Plan are to be determined by the Board of Directors or its committee. The Plan provides that if the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock deliverable upon the exercise of Options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend. In addition, the number of shares of Common Stock reserved for purposes of the Plan shall be adjusted by the same proportion. No options may be exercised for a term of more than ten years from the date of grant.

Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the code, including a requirement that the option exercise price be no less than the fair market value of the option shares on the date of grant. The 1993 Plan provides that the exercise price for non-qualified options will be not less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company's Board of Directors.

The 1993 Plan has a term of ten years. The Board of Directors may amend or terminate the 1993 Plan at any time, subject to approval of certain modifications to the 1993 Plan by the shareholders of the Company as may be required by law or the 1993 Plan. On November 7, 1996, the Company amended the Articles of Incorporation as follows: (i) to increase the number of shares of Class A Common Stock reserved for issuance under the Plan from 300,000 Class A shares to 600,000 Class A shares; and (ii) to provide that the stock subject to options, awards and purchases may include Class C common stock.

On October 14, 1999, the Company amended the 1993 Plan to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 746,126 Class A shares to 1,046,126 Class A shares.

2000 Director Stock Option Plan

On October 16, 2000, the Company adopted the 2000 Directors Stock Option Plan (the "Director Plan") effective November 1, 2000. The Director Plan provides for the grant by the Company of options to purchase up to an aggregate of 50,000 shares of Class A Common Stock for issuance thereunder. The Director Plan provides that each member of the Company's Board of Directors who is not an employee or paid consultant of the Company automatically is eligible to receive options to purchase the Company's Class A Common Stock under the Director Plan.

Effective as of November 1, 2000, and on each anniversary date thereof during the term of the Director Plan, each outside director shall automatically receive an option to purchase 1,000 shares of Class A Common Stock. In addition, each new outside director who shall first join the Board after the effective date shall be granted an option to purchase 1,000 shares upon the date which such person first becomes an outside director and an annual grant of an option to purchase 1,000 shares on each anniversary date thereof during the term of the Director Plan. The options granted to outside directors shall vest in their entirety on the first anniversary date of the grant. The primary purposes of the Director Plan are to enhance the Company's ability to attract and retain well-qualified persons for service as directors and to provide incentives to such directors to continue their association with the Company.

In the event of a merger of the Company with or into another company, or a consolidation, acquisition of stock or assets or other change in control transaction involving the Company, each option becomes exercisable in full, unless such option is assumed by the successor corporation. In the event the transaction is not approved by a majority of the "Continuing Directors" (as defined in the Director Plan), each option becomes fully vested and exercisable in full immediately prior to the consummation of such transaction, whether or not assumed by the successor corporation.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The following table sets forth security ownership information of the Company's Class A and Class C Common Stock as of March 22, 2002, (i) for persons who own beneficially more than 5% of the Company's outstanding Class A or Class C Common Stock, (ii) each director of the Company, and (iii) for all executive officers and directors of the Company as a group.

	Class A Common Stock		Class C Common Stock		Class A and Class C Common Stock	
Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class
George R. Quist (1)(2) 4491 Wander Lane Salt Lake City, Utah 84124	155,712	3.8%	244,613	4.1%	400,325	4.0%
George R. and Shirley C Quist Family Partnership, Ltd.(6) 4491 Wander Lane Salt Lake City, Utah 84124	360,927	8.9%	2,900,049	48.0%	3,260,976	32.2%
Employee Stock Ownership Plan (4) 5300 S. 360 W., Suite 250 Salt Lake City, Utah 84123	577,402	14.2%	1,341,575	22.2%	1,918,977	19.0%
Scott M. Quist (3) 7 Wanderwood Way Sandy, Utah 84092	115,064	2.8%	89,200	1.5%	204,264	2.0%
Charles L. Crittenden 2334 Fillmore Avenue Ogden, Utah 84401	1,811	*	206,997	3.4%	208,808	2.1%
H. Craig Moody 1782 East Faunsdale Dr. Sandy, Utah 84092	799	*	-0-	*	799	*
Norman G. Wilbur 2520 Horseman Drive Plano, Texas 75025	1,044	*	-0-	*	1,044	*

Item 12 - Security Ownership of Certain Beneficial Owners and Management

Name and Address of Beneficial Owner	Class A Common Stock Amount Beneficially Owned	Class A Common Stock Percent of Class	Class C Common Stock Amount Beneficially Owned	Class C Common Stock Percent of Class	Class A and Class C Common Stock Amount Beneficially Owned	Class A and Class C Common Stock Percent of Class
Robert G. Hunter, M.D. 2 Ravenwood Lane Sandy, Utah 84092	2,192	*	-0-	*	2,192	*
Associated Investors (5) 5300 S. 360 W. Suite 250 Salt Lake City, Utah 84123	80,162	2.0%	566,341	9.4%	646,503	6.4%
J. Lynn Beckstead, Jr.	20,286	*	1,658	*	21,944	*
All directors and executive officers (9 persons)	700,920	17.2%	3,503,377	58.0%	4,204,297	41.6%

* Less than one percent

(1) Does not include 577,402 shares of Class A Common Stock and 1,341,575 shares of Class C Common Stock owned by the Company's Employee Stock Ownership Plan (ESOP), of which George R. Quist is the trustee and accordingly, exercises voting and investment powers with respect to such shares.

(2) Does not include 80,162 shares of Class A Common Stock and 566,341 shares of Class C Common Stock owned by Associated Investors, a Utah general partnership, of which George R. Quist is the managing partner and, accordingly, exercises voting and investment powers with respect to such shares.

(3) Does not include 117,699 shares of Class A Common Stock owned by the Company's 401(k) Retirement Savings Plan, of which Scott M. Quist is a member of the Investment Committee and, accordingly, exercises shared voting and investment powers with respect to such shares.

(4) The trustee of the Employee Stock Ownership Plan (ESOP) is George R. Quist who exercises voting and investment powers.

(5) The managing partner of Associated Investors is George R. Quist, who exercises voting and investment powers.

(6) This stock is owned by the George R. and Shirley C. Quist Family Partnership, Ltd., of which Mr. Quist is the general partner.

The Company's officers and directors, as a group, own beneficially approximately 41.6% of the outstanding shares of the Company's Class A and Class C Common Stock.

Item 13. Certain Relationships and Related Transactions

The Company has made a loan in the amount of $172,000 to George R. Quist, the Company's President and Chief Executive Officer, without requiring the payment of any interest. The loan was made under a Promissory Note dated April 29, 1998 in order for Mr. Quist to exercise stock options which were granted to him under the 1993 Stock Option Plan. No installment payments are required under the terms of the note, but the note must be paid in full as of December 31, 2002. Mr. Quist has the right to make prepayments on the note at any time. As of March 31, 2002, the outstanding balance of the note was $97,000. The loan was approved by the Company's directors on March 12, 1999, with Mr. Quist abstaining, at a special meeting of the Board of Directors.

The Company's Board of Directors has a written procedure which requires disclosure to the Board of any material interest or any affiliation on the part of any of its officers, directors or employees which is in conflict or may be in conflict with the interests of the Company.

No director, officer or 5% stockholder of the Company or its subsidiaries, or any affiliate thereof, has engaged in any business transactions with the Company or its subsidiaries during 2001 or 2000 other than as described herein.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1)(2) Financial Statements and Schedules

See "Index to Consolidated Financial Statements and Supplemental Schedules" under Item 8 above.

(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

(a)(3) Exhibits:

3.A. Articles of Restatement of Articles of Incorporation (8)

B. Bylaws (1)

4.A. Specimen Class A Stock Certificate (1)

B. Specimen Class C Stock Certificate (1)

C. Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1)

10. A. Restated and Amended Employee Stock Ownership Plan and Trust Agreement (1)

B. Deferred Compensation Agreement with George R. Quist (2)

C. 1993 Stock Option Plan (3)

D. 2000 Director Stock Option Plan (12)

E. Promissory Note with Key Bank of Utah (4)

F. Loan and Security Agreement with Key Bank of Utah (4)

G. General Pledge Agreement with Key Bank of Utah (4)

H. Note Secured by Purchase Price Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)

I. Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)

J. Promissory Note with Page and Patricia Greer (6)

K. Pledge Agreement with Page and Patricia Greer (6)

L. Promissory Note with Civil Service Employees Insurance Company (7)

M. Deferred Compensation Agreement with William C. Sargent (8)

N. Employment Agreement with Scott M. Quist. (8)

O. Acquisition Agreement with Consolidare Enterprises, Inc., and certain shareholders of Consolidare. (9)

P. Agreement and Plan of Merger between Consolidare Enterprises, Inc., and SSLIC Holding Company. (10)

Q. Administrative Services Agreement with Southern Security Life Insurance Company. (11)

R. Promissory Note with George R. Quist (13)

S. Deferred Compensation Plan

(1) Incorporated by reference from Registration Statement on Form S-1, as filed on June 29, 1987.

(2) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1989.

(3) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1994.

(4) Incorporated by reference from Report on Form 8-K, as filed on February 24, 1995.

(5) Incorporated by reference from Annual Report on Form 10K, as filed on March 31, 1995.

(6) Incorporated by reference from Report on Form 8-K, as filed on May 1, 1995.

(7) Incorporated by reference from Report on Form 8-K, as filed on January 16, 1996.

(8) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1998.

(9) Incorporated by reference from Report on Form 8-K, as filed on May 11, 1998.

(10) Incorporated by reference from Report on Form 8-K, as filed on January 4, 1999.

(11) Incorporated by reference from Report on Form 8-K, as filed on March 4, 1999.

(12) Incorporated by reference from Schedule 14A Definitive Proxy Statement, filed August 29, 2000, relating to the Company's Annual Meeting of Shareholders.

(13) Incorporated by reference from Report on Form 10-K, as filed on April 16, 2001.

21. Subsidiaries of the Registrant

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SECURITY NATIONAL FINANCIAL CORPORATION

Dated: April 3, 2002

By: George R. Quist,
Chairman of the Board,
President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934 as amended, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
George R. Quist	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	April 3, 2002
Scott M. Quist	First Vice President, General Counsel, Chief Operating Officer and Director	April 3, 2002
Stephen M. Sill	Vice President Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	April 3, 2002
G. Robert Quist	Vice President, Secretary and Director	April 3, 2002
J. Lynn Beckstead, Jr.	Vice President and Director	April 3, 2002
Charles L. Crittenden	Director	April 3, 2002
H. Craig Moody	Director	April 3, 2002
Norman G. Wilbur	Director	April 3, 2002
Robert G. Hunter	Director	April 3, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Year Ended December 31, 2001

SECURITY NATIONAL FINANCIAL CORPORATION
Commission File No. 0-9341

E X H I B I T S

Exhibit Index

Exhibit No.	Document Name
21.	Subsidiaries of the Registrant

EXHIBIT 21

Subsidiaries of Security National
Financial Corporation
as of March 31, 2001

Exhibit 21

Subsidiaries of Security National Financial Corporation (as of March 31, 2001)

Security National Life Insurance Company

Security National Mortgage Company

Memorial Estates, Inc.

Memorial Mortuary

Paradise Chapel Funeral Home, Inc.

California Memorial Estates, Inc.

Cottonwood Mortuary, Inc.

Deseret Memorial, Inc.

Holladay Cottonwood Memorial Foundation

Holladay Memorial Park, Inc.

Camelback Sunset Funeral Home, Inc.

Greer-Wilson Funeral Home, Inc.

Crystal Rose Funeral Home, Inc.

Hawaiian Land Holdings

SSLIC Holding Company

Insuradyne Corporation

Southern Security Life Insurance Company

SECURITY NATIONAL FINANCIAL CORPORATION
DEFERRED COMPENSATION PLAN

Effective as of January 1, 2001

SECURITY NATIONAL FINANCIAL CORPORATION
DEFERRED COMPENSATION PLAN

Effective as of January 1, 2001

ARTICLE I
INTRODUCTION

1.1 Establishment of Plan

Security National Financial Corporation establishes the Security National Financial Corporation Deferred Compensation Plan effective as of January 1, 2001.

1.2 Purpose of Plan

Security National Financial Corporation has established this Plan to provide select employees with the opportunity to defer the receipt of compensation and a vehicle through which to do so. Security National Financial Corporation intends to maintain the Plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Plan will be interpreted in a manner consistent with these intentions.

ARTICLE II
DEFINITIONS

Definitions are contained in this article and throughout other sections of the Plan. The location of a definition is for convenience only and should not be given any significance. A word or term defined in this article (or in any other article) will have the same meaning throughout the Plan unless the context clearly requires a different meaning.

2.1 Base Salary

means (i) in the case of an employee whose remuneration from the Company does not contain a commission element, the employee's periodic base salary, and (ii) in the case of an employee whose compensation from the Company contains a commission element, the employee's total compensation (i.e., base salary plus commissions, whether under or over target), but without regard to any Bonus(es) or other additional amount(s) paid or payable to the employee.

2.2 Beneficiary

means the individual(s) or entity(ies) designated by a Participant, or by the Plan, to receive any benefit payable upon the death of a Participant or Beneficiary. A Beneficiary designation must be signed by the Participant and delivered to the Committee on a form specified by the Committee for that purpose. In the absence of a valid or effective Beneficiary designation, the Beneficiary will be the Participant's surviving spouse, or if there is no surviving spouse, the Participant's estate.

2.3 Board

means the Board of Directors of the Company.

2.4 Bonus

means any periodic or non-periodic payment to the Participant which is not part of the Participant's Base Salary and which is not otherwise excluded from the definition of Compensation contained in this Plan.

2.5 Code

means the Internal Revenue Code of 1986, as amended from time to time.

2.6 Committee

means the Plan Committee, the members of which are to be appointed by the Company. The Committee will serve as the "plan administrator" to manage and control the operation and administration of the Plan, within the meaning of ERISA Section 3(16)(A).

2.7 Company

means Security National Financial Corporation and any successor of Security National Financial Corporation, and any affiliate thereto designated by the Committee as a participating employer. In the event one or more affiliates of Security National Financial Corporation become participating employer(s) under this Plan, all rights, duties and responsibilities for operation of this Plan, including all rights reserved to amend, alter, supplement or terminate this Plan, shall remain exclusively with and be exercised solely by Security National Financial Corporation, unless specifically allocated by Security National Financial Corporation to one or more participating employers.

2.8 Compensation

means the employee's Base Salary plus Bonus(es). Compensation excludes any other form of remuneration paid or payable to an Eligible Employee, such as restricted stock, stock options, proceeds from stock options or stock appreciation rights, severance payments, moving expenses, car or other special allowances, and any other amounts, whether or not included in an Eligible Employee's taxable income. Deferral elections under this Plan shall be computed before taking into account any reduction in an Eligible Employee's Compensation by salary reduction under Code Section 125 or 401(k), or under this Plan.

2.9 Deferral Account

means a bookkeeping account established for and maintained on behalf of a Participant to which Compensation amounts are deferred, and net income (or losses) thereon, are credited under this Plan.

2.10 Deferral Compensation Agreement

means an agreement described in Section 3.4 and entered into by a Participant and the Company to reduce the Participant's Compensation for a specified period and contribute such amounts to the Plan, in accordance with Article III.

2.11 Disability

means "disability" (or similar term) as defined in the Company's long-term disability program and which results in payments to the Participant under such program.

2.12 Eligible Employee

means a common law employee of the Company who:

(a) has or will have Compensation for the Plan Year in excess of $85,000.

(b) is a senior officer of the Company; and/or

(c) is identified in writing by the Committee as eligible to participate in the Plan;

For purposes of determining as of any given date whether the Eligible Employee's Compensation will satisfy (a) above, the Committee may project the Eligible Employee's current rate of Compensation on a Plan Year basis. Except as otherwise provided in Section 3.1 (concerning an individual who ceases to be an Eligible Employee) and Section 3.3 (concerning an individual who first becomes an Eligible Employee on or after the first day of a Plan Year), an individual's status as an Eligible Employee for a Plan Year shall be determined immediately prior to the first day of the Plan Year. An individual's status who becomes an Eligible Employee on or after the first day of a Plan Year but prior to the next calendar quarter shall be determined prior to that calendar quarter. Notwithstanding the foregoing, the Committee may determine in writing that an otherwise Eligible Employee shall not be eligible to participate in this Plan.

2.13 ERISA

means the Employee Retirement Income Security Act of 1974, as amended.

2.14 Hardship

means an unforeseeable and unanticipated emergency which is caused by an event beyond the control of the Participant or Beneficiary, and which would result in severe financial hardship to the Participant or Beneficiary if a distribution or revocation of a deferral election were not permitted. Hardship conditions will be evaluated in accordance with the terms of Treasury Regulations Section 1.457-2(h)(4). The Committee will have sole discretion to determine whether a Hardship condition exists and the Committee's determination will be final.

A Participant must submit a written request for a Hardship to the Committee on the form and in the manner prescribed by the Committee. The Hardship request must: (i) describe and certify the Hardship condition and the severe financial need; and (ii) state whether the Participant requests a withdrawal of all or a portion of his vested Deferral Account to meet the severe financial need. The Committee will have sole discretion to determine whether a Hardship exists and to determine the appropriate action, if any, provided however, in no event will the Committee approve a Hardship distribution request for expenses related to any medical condition or expenses related to the death of any person unless the request for distribution is submitted to the Committee and approved by the Committee for Hardship distribution prior to the date on which the expense is incurred. The Committee, in its sole discretion may make exception to the foregoing rule if it determines that the circumstances creating the expense for which reimbursement is sought were not reasonably foreseeable. Regardless of whether the Participant desires to reduce or cease any Compensation amounts to be deferred after the Hardship request is made, the Participant will be precluded from deferring Compensation for the remainder of the Plan Year in which a Hardship is approved by the Committee.

2.15 Insolvent

means the Company is (i) unable to pay its debts as they become due, or (ii) subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

2.16 Investment Fund or Funds

means the investment fund or funds designated by the Committee as the basis for determining the investment return to be allocated to the Participants' Deferral Accounts. The Committee may change the Investment Funds at such times as it deems appropriate. An Investment Fund may include or consist solely of publicly traded securities of the Company.

2.17 Participant

means an Eligible Employee who is eligible to participate in the Plan as provided in Section 3.1 and who has made an election to defer Compensation pursuant to the Plan.

2.18 Plan

means the Security National Financial Corporation Deferred Compensation Plan, as set forth in this document, as amended from time to time.

2.19 Plan Year

means the Company's fiscal year, beginning January 1 and ending December 31.

2.20 Retirement Age

means, while employed by the Company, attainment of age 55 with 10 Years of Service ("Early Retirement Age"), or attainment of age 65, without regard to Years of Service.

2.21 Year of Service

means, with respect to a Participant, a calendar year during which the Eligible Employee was in full time employment with the Company and for the entire year. Full time employment shall be determined according to the rules adopted and utilized by the Company to classify full time employees.

ARTICLE III
PARTICIPATION

3.1 Eligibility

An Eligible Employee of the Company shall participate in the Plan only to the extent and for the period that the Eligible Employee satisfies the definition of Eligible Employee in this Plan, is selected by the Committee to participate and is a member of select group of management or highly compensated employees, as such group is described under Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. An individual who is an Eligible Employee as of the first day of the Plan Year but who ceases to be an Eligible Employee during the Plan Year shall continue to participate in the Plan with respect to any Deferred Compensation Agreements in effect for the Plan Year, but shall terminate participation as of the end of the Plan Year. The Participant shall not be permitted to enter into any new Deferred Compensation Agreements with the Company unless and until the individual again becomes an Eligible Employee.

3.2 Participation

An Eligible Employee who participates in the Plan may elect to defer the receipt of compensation earned by the Eligible Employee by executing an agreement as described in Section 3.4. The Eligible Employee shall make the election in accordance with Section 3.3. The Company shall withhold amounts deferred by the Participant in accordance with this election. The Participant's deferred amounts shall be credited to the Deferral Account as provided in Article V and distributed in accordance with Article VI. An election to defer receipt of Compensation shall continue in effect for a given Plan Year unless the Participant separates from employment.

3.3 Election Procedure

An election to defer Compensation under an agreement described in Section 3.4 is made by executing a Deferred Compensation Agreement on the form and in the manner prescribed by the Committee. The Agreement must be properly completed, signed and delivered to the Company prior to the first day of the Plan Year for which Compensation shall be earned, provided however, that an individual who becomes an Eligible Employee for the first time on or after the first day of a Plan Year but prior to the first day of any calendar quarter during the Plan Year shall be permitted to make an election to defer Compensation that will be earned on and after the first day of the next applicable calendar quarter and for the remainder of the Plan Year by executing a Deferred Compensation Agreement prior to that date.

3.4 Deferred Compensation Agreement

A Deferred Compensation Agreement shall remain in effect for the Plan Year and for all subsequent Plan years until amended or revoked by the Participant or terminated by the Company as provided in Section 3.5. The Deferred Compensation Agreement shall be applicable only to Compensation described in paragraphs (a) through (c) earned after the date on which the Agreement is effective. The Agreement shall define the amount of Compensation that shall be deferred for the Plan Year, and for all subsequent Plan Years and may define differing deferral amounts of Base Salary and Bonus(es) payable to the Eligible Employee for the Plan Year, subject to the following:

(a) Base Salary. A Participant shall be permitted to defer a maximum of fifty (50%) of Base Salary earned in a Plan Year. In the case of a Participant whose Base Salary contains a commission element, the Participant shall be permitted to defer a maximum of fifty percent (50%) of all commissions earned in the Plan Year.

(b) Bonus. A participant shall be permitted to defer a maximum of one hundred percent (100%) of all Bonus(es) with respect to a Plan Year.

(c) Minimum Deferral. The minimum deferral percentage which may be elected by an Eligible Employee, whether applicable to Base Salary, Bonus or both shall be five percent (5%). Additional deferral amounts shall be in five percent (5%) increments. The Committee may, in its discretion, establish a greater minimum deferral percentage amount or incremental deferral percentage applicable to Base Salary or Bonus(es) for any given Plan Year.

(d) Hardship Withdrawal Request. All deferrals by an Eligible Employee for the remainder of the Plan Year shall cease in the event the Committee approves a request of the Eligible Employee for a Hardship withdrawal for that Plan Year. No cessation of deferrals shall affect any limit established pursuant to Section 3.4(c) above, and no deferral amounts so reduced or not made shall be required to be made in addition to any future deferrals that are not affected by the Hardship request.

3.5 Irrevocable Election

A Participant's Deferred Compensation Agreement for a given Plan Year cannot be amended by the Participant and, except as provided in Section 3.4(d) and this Section 3.5, is irrevocable. A Participant shall be permitted, prior to the commencement of each subsequent Plan Year following execution of the Deferred Compensation Agreement, to amend the deferral amount applicable to the Participant's Compensation or to revoke the Deferred Compensation Agreement entirely. The amendment or revocation shall be effective only as of the first day of the next following Plan Year and shall be accomplished by execution of a new Deferred Compensation Agreement, which shall supersede all previously executed Agreements. The Company reserves the right to modify any Deferred Compensation Agreement to reflect a change in Plan provisions or for administrative convenience.

A Participant's election to defer Compensation under the Deferred Compensation Agreement shall become null and void upon the Participant's termination from employment with the Company, and no Compensation that may be payable after the Participant terminates from employment with the Company and otherwise would be subject to such Agreements shall be deferred under this Plan.

3.6 Community and Marital Property

The spouse of a Participant shall have a community or marital property interest in the Participant's Deferral Account, but only to the extent required by applicable law, which the spouse may pass to a third party upon his or her death. If it is intended that a spouse relinquish his or her community or marital property interest in the Participant's Deferral Account, the spouse must execute a waiver in which he or she clearly states an intention to relinquish his or her rights under community or marital property law with respect to the Deferral Account. A spouse's consent to a Participant's designation of a non-spouse Beneficiary is not sufficient to effect a waiver.

ARTICLE IV
COMPANY CONTRIBUTIONS

4.1 Company Contributions

The Company may, in its sole discretion, contribute to the Plan any amount it determines from time to time. Any Company contribution made pursuant to this Section 4.1 shall be credited as provided in Article V to the Deferral Account(s) of the Participant or Participants designated by the Company at the time the contribution is made and distributed in accordance with Article VI.

4.2 Vesting

A Participant's interest in (i) the Compensation deferred to his or her Deferral Account pursuant to Sections 3.2 through 3.4 of the Plan, (ii) any Company contributions made to the Plan for a Plan Year in accordance with Section 4.1 of the Plan and allocated to his Deferral Account, and (iii) any earnings credited to the Participant's Deferral Account pursuant to Section 5.6 of the Plan, shall be at all times fully vested and nonforfeitable.

ARTICLE V
PARTICIPANT ACCOUNT BALANCES

5.1 Establishment of Accounts

The Committee may select an independent record keeper (who may be an affiliate of the Company) to establish and maintain a Deferral Account on behalf of each Participant. Contributions and net income (or losses) will be credited to each Deferral Account in accordance with the provision of this Article.

5.2 Bookkeeping

Deferral Accounts will be primarily for accounting purpose and will not restrict the operation of the Plan or require separate earmarked assets to be allocated to any account. The establishment of a Deferral Account will not give any Participant the right to receive any asset held by the Company in connection with the Plan or otherwise.

5.3 Crediting Deferred Compensation

The Committee will credit to a Participant's Deferral Account any amount deferred by the Participant as soon as practicable following the pay period to which such amount would have been paid to the Participant absent a Deferred Compensation Agreement.

5.4 Crediting Company Contributions

As of the end of each Company payroll period, the Committee shall credit to Participant's Deferral Account the amount of any Company contributions made by the Company pursuant to Section 4.1; provided, however, that the Committee may, in its discretion, credit Company contributions less frequently, but not less than annually, as the Committee may deem necessary or appropriate in furtherance of proper Plan administration.

5.5 Establishment of Investment Funds

The Committee, in its sole discretion, will establish one or more Investment Funds which will be maintained for the purpose of determining the investment return to be credited to a Participant's Deferral Account. The Committee may change from time to time the number, identity or composition of the Investment Funds or discontinue the availability of any Investment Fund. The Investment Funds will reflect investment options which are available in the marketplace for self directed accounts in retirement plans and may be (but need not be) the same funds available through any qualified retirement plan sponsored by the Company. An Investment Fund may also consist exclusively of publicly traded securities of the Company.

Pursuant to rules adopted by the Committee each Participant will indicate the Investment Funds to which contributions under Section 5.3 and any existing Deferral Account balance are to be credited. Investment Fund elections by Participants must be made in twenty-five percent (25%) increments and at such times and in such manner as the Committee will specify. A Participant may change his or her Investment Fund at any time and in such manner as the Committee may specify. Each Participant shall be provided from time to time with the investment "results" of the selected Investment Funds. The Company's liability to the Participant for amounts in the Deferred Compensation Account will include gains and losses attributed to the Investment Funds selected by the Participant.

5.5 Crediting Investment Results

A Participant's Deferral Account balance will be increased or decreased to reflect investment results, as they occur. Deferral Accounts will be credited with the investment return of the Investment Funds in which the Participant elected to be deemed to participate. The credited investment return is intended to reflect the actual performance of the Investment Funds net of any investment or management fees. Nevertheless, no provision of this Plan shall be interpreted to require the Company to actually invest any amounts in any particular fund, whether or not such fund is one of the Investment Funds available for selection by Participants in the Plan.

5.6 Notification to Participants

The Committee shall notify each Participant with respect to the status of the Participant's Deferral Account as soon as practicable after the end of each Plan Year. Neither the Company nor the Committee to any extent warrants, Guarantees or represents that the value of any Participant's Deferral Account at any time will equal or exceed the amount previously allocated or contributed thereto.

ARTICLE VI
DISTRIBUTION OF ACCOUNTS

6.1 Distribution Due to Separation from Employment on or after Retirement Age

A Participant who separates from employment with the Company on or after attaining Retirement Age (or Early Retirement Age, if applicable) shall receive his vested Deferral Account at the time and in the manner elected by the Participant. An election regarding the time (Retirement Age or Early Retirement Age) and manner of payment of the Participant's Deferral Account balance (including all future years' contributions) shall be made at the time the Participant first commences participation in the Plan and may be amended thereafter at the election of the Participant, provided that any amendment will only be valid if made concurrent with the Participant's most recent election to defer Compensation under Section 3.3 or concurrent with the Participant's amendment of his or her Deferred Compensation Agreement under Section 3.5. An election in any subsequent Deferred Compensation Agreement regarding the time and manner of payment of the Participant's Deferral Account which alters a prior election shall supersede the prior election and shall apply to all amounts in the Participant's Deferral Account which have accrued and continue to accrue in the Deferral Account until altered by a later election providing for a different time or manner of payment.

(a) Time of Payment. A Participant's vested Deferral Account balance shall be paid (or commence to be paid) on the January 1st immediately following the date of separation from employment on or after attaining Retirement Age or Early Retirement Age, as elected. Payment cannot commence prior to January 1st unless specifically approved by the Committee following petition to the Committee for earlier commencement submitted by the Participant.

(b) Manner of Payment. A Participant's vested Deferral Account will be paid in a lump sum cash payment, or if the Participant has elected to receive payments in substantially equal monthly installments, then over a period of five (5) or ten (10) years, as elected. If no election has been made by the Participant, the Deferral Account will be paid in substantially equal monthly installments over a period of five (5) years.

(c) Value of Deferred Account Balance. The value of a Participant's Deferral Account to be distributed shall be determined as of the date a payment is made, and shall be charged with distributions and adjusted for gains and losses, through such date. To the extent payment shall be made in installments, the amount of the installment for a particular month may be adjusted to take into account the value of the Participant's Deferral Account (as adjusted) and the number of remaining months over which the installment payments are to be made.

6.2 Distribution Upon Separation Prior to Death or Attaining Retirement Age

A Participant who separates from employment with the Company prior to attaining Retirement Age for any reason other than death shall receive amounts credited to his Deferral Account in a lump sum cash payment only, commencing as soon as administratively feasible following the date of separation from employment, but in no event later than one hundred twenty (120) days after the Participant separates from employment. If the Participant's separation from employment shall occur during the last quarter of any calendar year, the date of distribution which shall be administratively feasible shall not occur prior to the next following January 1st. For purposes of this Section 6.2, the value of a Participant's Deferral Account to be distributed shall be determined as of the date the payment is made, and shall be credited with earnings through that date.

6.3 Distribution Upon Death

In the event a Participant dies prior to receiving all of his or her vested Deferral Account, the Participant's Beneficiary shall receive the unpaid portion of the Participant's Deferral Account in the form of lump sum cash payment no later than one hundred twenty (120) days after the Participant dies and the Committee is provided with written proof of the Participant's death. For purposes of this Section 6.4, the value of a Participant's Deferral Account to be distributed shall be determined as of the date the payment is made, and shall be credited with earnings through such date and, in the case of a Participant who dies while employed with the Company, any deferred amounts that would have been credited to the account if the Participant had continued employment with the Company through such date.

6.4 Unscheduled Distributions

A Participant shall be entitled to receive a distribution from the Participant's Deferral Account at any time (an "Unscheduled Distribution"), subject to all of the following rules and limitations:

(a) A Participant may receive no more than one (1) Unscheduled Distribution in any Plan Year.

(b) The Unscheduled Distribution amount shall not include any amounts deferred by the Participant during the same Plan Year in which the Unscheduled Distribution occurs.

(c) The Unscheduled Distribution amount shall equal ninety percent (90%) of the amount requested by Participant. The remaining ten percent (10%) of the amount requested shall be permanently forfeited from the Participant's Deferral Account at the time the Unscheduled Distribution is made and shall no longer be available for distribution to the Participant from the Plan.

(d) The Participant shall not be permitted to make further deferrals to the Plan nor shall the Participant be entitled to any allocation of Company contributions to the Plan prior to the expiration of twelve (12) months from the date of the Unscheduled Distribution. Following the twelve month period the Participant shall be treated as newly eligible under Article III and shall be eligible to execute a new deferral agreement as provided in Section 3.3.

6.5 Cash Payments Only

All distributions under the Plan will be made in cash by check.

6.6 Disability

For the purposes of Sections 6.2 and 6.3, in the event of a Participant's Disability, the Participant will be considered to have separated from employment as of the first day the Participant first becomes eligible for benefits under the Company's long-term disability plan as then in effect.

6.7 Separation From Employment

An Employee or Participant shall incur a separation from employment due to the voluntary or involuntary resignation or discharge from his or her position with the Company, or his or her death, retirement, failure to return to active work at the end of an authorized leave of absence or the authorized extension(s) thereof, or upon the happening of any other event or circumstance which, under the then current policy of the Company results in the cessation of the employer-employee relationship. Separation from employment shall not be deemed to occur merely because of a transfer of employment between participating employers who are affiliated with the Company.

ARTICLE VII
PLAN ADMINISTRATION

7.1 Plan Administrator

This Plan shall be administered by the Committee, which will be the Plan Administrator. The Committee members shall be appointed by and serve at the pleasure of the Board.

7.2 Amendment or Termination

The Board may amend any provision of this Plan, and may terminate the Plan in its entirety, at any time and for any reason. No amendment or termination of the Plan will reduce any Participant's Deferral Account balance as of the effective date of such amendment or termination. Upon termination of the Plan, each Participant's Deferral Account shall be distributed to the Participant at the times and in accordance with the distribution rules set forth in Article VI.

7.3 Administration of the Plan

The Committee shall have the sole authority to control and manage the operation and administration of the Plan and have all powers, authority and discretion necessary or appropriate to carry out the Plan provisions, and to interpret and apply the terms of the Plan to particular cases or circumstances. All decisions, determinations and interpretations of the Committee will be binding on all interested parties, subject to the claims and appeal procedure necessary to satisfy the minimum standard of ERISA Section 503, and will be given the maximum deference allowed by law. The Committee may delegate in writing its responsibilities as it sees fit.

Committee members who are Participants will abstain from voting on any Plan matters that relate primarily to themselves or that would cause them to be in constructive receipt of amounts credited to their respective Deferral Account. The Board will identify three or more individuals to serve as a temporary replacement of the Committee members in the event that all three members must abstain from voting.

7.4 Indemnification

The Company will and hereby does indemnify and hold harmless any of its employees, officers, directors or members of the Committee who have fiduciary or administrative responsibilities with respect to the Plan from and against any and all losses, claims, damages, expenses and liabilities (including reasonable attorneys' fees and amounts paid, with the approval of the Board, in settlement of any claim) arising out of or resulting from the implementation of a duty, act or decision with respect to the Plan, so long as such duty, act or decision does not involve gross negligence or willful misconduct on the part of any such individual.

7.5 Claims Procedure

A Participant or his Beneficiary (the "Claimant") may file a written claim for benefits under the Plan with the Committee. Within sixty (60) days of the filing of the claim, the Committee shall notify the Claimant of the Committee's decision whether to approve the claim. Such notice shall include specific reasons for any denial of the claim. Within sixty (60) days of the date the Claimant was notified of the denial of a claim, the Claimant may appeal the Committee's decision by making a written submission containing any pertinent information. Any decision not appealed within such sixty (60) day period shall be final, binding and conclusive. The Committee shall review information submitted with an appeal and render a decision within sixty (60) days of the submission of the appeal. If it is not feasible for the Committee to render a decision on an appeal within the prescribed sixty (60) day period, the period may be extended to a one hundred twenty (120) day period.

ARTICLE VIII
MISCELLANEOUS

8.1 Funding Arrangements

The Committee shall determine the amounts it deems necessary or appropriate to fund the Company's obligation to pay Deferral Accounts. Such amounts shall be held in trust by a trustee selected by the Board, and shall be earmarked to pay benefits under the terms of the Plan. The Committee will direct the Company to make periodic contributions to the trust at such times and in such amounts as the Committee deems appropriate.

Trust assets cannot be diverted to, or used for, any purpose except payments to Participant and Beneficiaries under the terms of the Plan, or if the Company is insolvent, to pay the Company's creditors. Participants and Beneficiaries will have no right against the Company with respect to the payment of any portion of the Participant's Deferral Account, except as a general unsecured creditor of the Company.

8.2 Nonalienation

No benefit or interest of any Participant or Beneficiary under this Plan will be subject to any manner of assignment, alienation, anticipation, sale transfer, pledge or encumbrance, whether voluntary or involuntary. Notwithstanding the foregoing, the Committee will honor community property or other marital property rights, but only to the extent required by law. Such rights shall not extend to the recognition of any order which attempts to divide, alienate or otherwise execute or levy on any Deferral Account and which is issued in connection with or as a result of any domestic relations proceeding, no matter the nature of or basis for the order. Prior to distribution to a Participant or Beneficiary, no Deferral Account balance will be in any manner subject to the debts, contracts, liabilities, engagements or torts of the Participant or Beneficiary. Assets held in trust to fund this Plan may, however, be diverted to pay the Company's creditors, if the Company is insolvent.

8.3 Limitation of Rights

Nothing in this Plan will be construed to give a Participant the right to continue in the employ of the Company at any particular position or to interfere with the right of the Company to discharge, lay off or discipline a Participant at any time and for any reason, or to give the Company the right to require any Participant to remain in its employ or to interfere with the Participant's right to terminate his or her employment.

8.4 Governing Law

To the extent that state law applies, the provisions of this Plan will be construed, enforced and administered in accordance with the laws of the state of Utah, except to the extent pre-empted by ERISA.

IN WITNESS WHEREOF, the Company by its duly authorized officer has executed this Security National Financial Corporation Deferred Compensation Plan as of the day of , 2002.

Security National Financial Corporation

By:

Title:-----------------------------