

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

FORM 10-Q

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

For Quarter Ended June 30, 1999

Commission File Number: 0-9341

SECURITY NATIONAL FINANCIAL CORPORATION

-----  
Exact Name of Registrant.

UTAH

87-0345941

-----  
(State or other jurisdiction  
of incorporation or organization)

-----  
IRS Identification Number

5300 South 360 West, Salt Lake City, Utah

84123

-----  
(Address of principal executive offices)

-----  
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by 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  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, \$2.00 par value

3,813,028

-----  
Title of Class

-----  
Number of Shares Outstanding as of  
June 30, 1999

Class C Common Stock, \$.20 par value

5,380,172

-----  
Title of Class

-----  
Number of Shares Outstanding as of  
June 30, 1999

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
FORM 10Q

QUARTER ENDED JUNE 30, 1999

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SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Unaudited)

Revenues: -----	Six Months Ended June 30, 1999 -----	1998 -----
Insurance premiums and other considerations	\$ 6,360,008	\$ 3,014,874
Net investment income	5,346,571	3,712,179
Net mortuary and cemetery sales	5,258,203	4,872,384
Realized gains on investments and other assets	225,658	98,099
Mortgage fee income	6,719,818	4,183,395
Other	778,062	38,520
	-----	-----
Total revenue	24,688,320	15,919,451
Benefits and expenses:		
Death benefits	2,383,293	1,122,047
Surrenders and other policy benefits	2,535,433	540,711
Increase in future policy benefits	1,444,071	1,724,671
Amortization of deferred policy acquisition costs and cost of insurance acquired	2,526,176	593,054
General and administrative expenses:		
Commissions	5,249,708	3,243,517
Salaries	3,749,167	2,620,264
Other	4,082,757	3,272,580
Interest expense	490,259	419,729
Cost of goods and services sold of the mortuaries and cemeteries	1,724,774	1,542,620
Total benefits and expenses	24,185,638	15,079,193
Earnings before income taxes	502,682	840,258
Income tax expense	(159,413)	(194,331)
Minority interest income of subsidiary	(63,631)	--
	-----	-----
Net earnings	\$ 279,638	\$ 645,927
Net earnings per common share	\$0.06 =====	\$0.15 =====
Weighted average outstanding common shares	4,407,069 -----	4,201,122 -----
Net earnings per common share-assuming dilution	\$0.06 =====	\$0.15 =====
Weighted average outstanding common shares assuming-dilution	4,407,069 =====	4,201,122 =====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Unaudited)

Revenues:	Three Months Ended 1999	June 30, 1998
-----	-----	-----
Insurance premiums and other considerations	\$ 3,010,592	\$ 1,456,809
Net investment income	2,805,006	1,868,025
Net mortuary and cemetery sales	2,902,585	2,433,092
Realized gains on investments and other assets	55,965	62,053
Mortgage fee income	3,618,416	2,279,449
Other	741,142	12,598
	-----	-----
Total revenue	13,133,706	8,112,026
Benefits and expenses:		
Death benefits	1,392,483	611,699
Surrenders and other policy benefits	1,322,294	241,222
Increase in future policy benefits	601,892	970,281
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,221,623	296,527
General and administrative expenses:		
Commissions	2,823,607	1,688,584
Salaries	1,959,014	1,356,994
Other	2,139,098	1,614,454
Interest expense	228,997	234,431
Cost of goods and services sold of the mortuaries and cemeteries	987,943	871,741
Total benefits and expenses	12,676,951	7,885,933
Earnings before income taxes	456,755	226,093
Income tax expense	(171,394)	(59,076)
Minority interest income of subsidiary	(94,750)	--
	-----	-----
Net earnings	\$ 190,611	\$ 167,017
Net earnings per common share	\$0.04	\$0.04
	=====	=====
Weighted average outstanding common shares	4,388,357	4,227,691
	-----	-----
Net earnings per common share-assuming dilution	\$0.04	\$0.04
	=====	=====
Weighted average outstanding common shares assuming-dilution	4,388,357	4,227,691
	-----	-----

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	June 30, 1999 (Unaudited)	December 31, 1998
Assets:	-----	-----
-----		
Insurance-related investments:		
Fixed maturity securities		
held to maturity, at amortized cost	\$ 41,413,622	\$ 44,984,882
Fixed maturity securities available for sale, at market	26,403,232	28,675,440
Equity securities available for sale, at market	5,399,057	5,146,059
Mortgage loans on real estate	14,863,854	12,523,395
Real estate, net of accumulated depreciation	7,924,809	7,866,151
Policy, student and other loans	11,095,314	11,493,637
Short-term investments	7,451,141	11,543,540
Total insurance-related investments	114,551,029	122,233,104
Restricted assets of cemeteries and mortuaries	4,146,025	4,098,877
Cash	7,070,297	6,670,996
Receivables:		
Trade contracts	3,969,519	4,011,722
Mortgage loans sold to investors	21,394,143	21,181,028
Receivable from agents	2,415,070	1,944,449
Receivable from officers	122,000	145,600
Other	966,350	2,603,243
Total receivables	28,867,082	29,886,042
Allowance for doubtful accounts	(1,456,988)	(1,576,668)
Net receivables	27,410,094	28,309,374
Policyholder accounts on deposit with reinsurer	8,340,973	8,518,571
Land and improvements held for sale	8,467,351	8,405,725
Accrued investment income	1,530,822	1,440,860
Deferred policy acquisition costs	10,296,855	10,501,281
Property, plant and equipment, net	10,653,451	10,682,085
Cost of insurance acquired	10,043,545	10,462,446
Excess of cost over net assets of acquired subsidiaries	1,360,121	1,414,910
Other	677,954	526,918
	-----	-----
Total assets	\$204,548,517	\$213,265,147
	=====	=====

See accompanying notes to consolidated financial statements.

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

	June 30, 1999 (Unaudited)	December 31, 1998
Liabilities:	-----	-----
- - - - -		
Future life, annuity, and other policy benefits	\$134,888,232	\$134,899,870
Unearned premium reserve	2,023,337	2,565,968
Line of credit for financing of mortgage loans	2,083,249	7,577,248
Bank loans payable	9,771,699	11,909,980
Notes and contracts payable	3,266,185	3,399,272
Estimated future costs of pre-need sales	6,596,189	6,376,651
Payable to endowment care fund	694,638	540,504
Accounts payable	992,749	1,321,559
Funds held under reinsurance treaties	1,415,545	1,419,357
Other liabilities and accrued expenses	4,306,662	3,787,385
Income taxes	5,978,079	6,008,537
	-----	-----
Total liabilities	172,016,564	179,806,331
	=====	=====
Minority interest	6,274,167	6,778,557
Stockholders' Equity:		
Common stock:		
Class A: \$2 par value, authorized 10,000,000 shares, issued 4,618,081 shares in 1999 and 4,617,330 shares in 1998	9,236,162	9,234,660
Class C: \$0.20 par value, authorized 7,500,000 shares, issued 5,439,200 shares in 1999 and 5,446,595 shares in 1998	1,087,840	1,089,319
Total common stock	10,324,002	10,323,979
Additional paid-in capital	9,596,462	9,596,444
Accumulated other comprehensive income, net of deferred taxes	718,832	1,081,113
Retained earnings	7,754,380	7,474,783
Treasury stock at cost (805,053 Class A shares in 1999 and 692,993 Class A shares in 1998, and 59,028 Class C shares in 1999 and 1998)	(2,135,890)	(1,796,060)
Total stockholders' equity	26,257,786	26,680,259
	-----	-----
Total liabilities and stockholders' equity	\$204,548,517	\$213,265,147
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30, 1999	1998
	-----	-----
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	\$ 2,984,501	\$ (3,783,178)
Cash flows from investing activities:		
Securities held to maturity:		
Purchase - fixed maturity securities	--	(524,563)
Calls and maturities - fixed maturity securities	3,657,999	5,283,390
Securities available for sale:		
Purchases - equity securities	(43,759)	(15,625)
Sales - equity securities	43,781	158,527
Calls and maturities		
Fixed maturity securities	1,171,236	--
Purchases of short-term investments	(6,401,565)	(5,394,210)
Sales of short-term investments	10,493,964	3,400,000
Purchases of restricted assets	(47,148)	(134,045)
Mortgage, policy, and other loans made	(4,022,131)	(2,913,800)
Payments received for mortgage, policy, and other loans	2,144,338	1,860,942
Purchases of property, plant, and equipment	(348,422)	(662,030)
Purchases of real estate	(303,626)	(522,001)
Disposal of property, plant and equipment	179,343	--
Net cash provided by investing activities	6,524,010	536,585
Cash flows from financing activities:		
Annuity receipts	5,213,072	1,386,622
Annuity withdrawals	(6,217,085)	(2,169,782)
Repayment of bank loans and notes and contracts payable	(2,271,368)	(295,539)
Purchase of treasury stock	(339,830)	--
Net change in line of credit for financing of mortgage loans	(5,493,999)	1,900,000
Net cash (used in) provided by financing activities	(9,109,210)	821,301
Net change in cash	399,301	(2,425,292)
	-----	-----
Cash at beginning of period	6,670,996	3,408,179
	-----	-----
Cash at end of period	\$ 7,070,297	\$ 982,887
	=====	=====

See accompanying notes to consolidated financial statements

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 1999  
(Unaudited)

1. Basis of Presentation  
-----

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 1999, are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 1998, included in the Company's Annual Report on Form 10-K (file number 0-9341).

The preparation of financial statements in conformity with 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.

2. Comprehensive Income  
-----

For the three months ended June 30, 1999 and 1998, total comprehensive income amounted to \$7,046 and \$101,293, respectively.

For the six months ended June 30, 1999 and 1998, total comprehensive income (loss) amounted to \$(82,643) and \$669,663, respectively.



SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 1999  
(Unaudited)

3. Capital Stock

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

	Six Months Ended June 30, 1999	1998
	-----	-----
Numerator:		
Net income	\$ 279,638	\$ 645,927
	-----	-----
Denominator:		
Denominator for basic earnings per share-- weighted- average shares	4,407,069	4,201,122
	-----	-----
Effect of dilutive securities:		
Employee stock options	--	--
Stock appreciation rights	--	--
Dilutive potential common shares		
	--	--
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions		
	4,407,069	4,201,122
	=====	=====
Basic earnings per share	\$0.06	\$0.15
	=====	=====
Diluted earnings per share	\$0.06	\$0.15
	=====	=====

	Three Months Ended June 30, 1999	1998
	-----	-----
Numerator:		
Net income	\$190,611	\$167,017
	=====	=====
Denominator:		
Denominator for basic earnings per share-- weighted- average shares	4,388,357	4,227,691
Effect of dilutive securities:		
Employee stock options	--	--
Stock appreciation rights	--	--
Dilutive potential common shares		
	--	--
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions		
	4,388,357	4,227,691
	=====	=====

Basic earnings per share	\$0.04 =====	\$0.04 =====
Diluted earnings per share	\$0.04 =====	\$0.04 =====

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 1999  
(Unaudited)

5. Business Segment

	Life Insurance -----	Cemetery/ Mortuary -----	Mortgage -----
For the Six Months Ended June 30, 1999 -----			
Revenues from external customers	\$11,736,641	\$ 5,623,033	\$7,317,485
Intersegment revenues	999,088	--	--
Segment profit	261,913	(27,490)	(102,176)
Identifiable assets	181,502,319	33,954,833	3,891,320
For the Six Months Ended June 30, 1998 -----			
Revenues from external customers	5,964,445	5,226,429	4,720,340
Intersegment revenues	687,034	--	--
Segment profit	471,572	166,245	80,259
Identifiable assets	107,224,231	31,325,956	1,271,137
For the Three Months Ended June 30, 1999 -----			
Revenues from external customers	6,127,155	3,079,731	3,924,015
Intersegment revenues	516,401	--	--
Segment profit	438,927	(80,816)	34,303
For the Three Months Ended June 30, 1998 -----			
Revenues from external customers	2,937,822	2,600,432	2,568,819
Intersegment revenues	353,453	--	--
Segment profit	210,058	(94,147)	60,597

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 1999  
(Unaudited)

5. Business Segment

	Corporate -----	Reconciling Items -----	Consolidated -----
For the Six Months Ended June 30, 1999 -----			
Revenues from external customers	\$ 11,161	\$ --	\$ 24,688,320
Intersegment revenues	1,916,181	(2,915,269)	--
Segment profit	370,435	--	502,682
Identifiable assets	2,101,586	(16,988,321)	204,461,737
For the Six Months Ended June 30, 1998 -----			
Revenues from external customers	8,237	--	15,919,451
Intersegment revenues	378,619	(1,065,653)	--
Segment profit	122,182	--	840,258
Identifiable assets	2,171,665	(12,560,974)	129,432,015
For the Three Months Ended June 30, 1999 -----			
Revenues from external customers	2,805	--	13,133,706
Intersegment revenues	958,330	(1,474,731)	--
Segment profit	64,340	--	456,754
For the Three Months Ended June 30, 1998 -----			
Revenues from external customers	4,953	--	8,112,026
Intersegment revenues	189,570	(543,023)	--
Segment profit	49,585	--	226,093

## Item 2. Management's Discussion and Analysis

### 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 the strong economy in the western United States by originating and refinancing mortgage loans.

On December 17, 1998, the Company purchased all of the outstanding shares of common stock of Consolidare Enterprises, Inc., ("Consolidare") for a total cost of \$12,248,194. As of June 30, 1999, Consolidare owns approximately 59.2% of the outstanding shares of common stock of Southern Security Life Insurance Company and all of the outstanding shares of stock of Insuradyne Corp.

The purchase of Consolidare, including its subsidiaries was accounted for using the purchase method of accounting. Thus the results of operations of the Company for the three and six months ended June 30, 1998 do not include the results of Consolidare. In the Management's Discussion and Analysis of the Results of Operations, the results of Consolidare for the three and six months ended June 30, 1999 have been excluded. See table "Consolidated Statements of Earnings without Consolidare and Subsidiaries" at the end of Management's Discussion and Analysis which shows the effect of excluding the results of Consolidare for the three and six months ended June 30, 1999.

Including Consolidare, total revenues increased by \$8,769,000, or 55.1%, to \$24,688,000 for the six months ended June 30, 1999, from \$15,919,000 for the six months ended June 30, 1998 and total expenses increased by \$9,106,000, or 60.4%, to \$24,186,000 for the six months ended June 30, 1999, from \$15,079,000 for the six months ended June 30, 1998. Total revenues increased by \$5,022,000, or 61.9%, to \$13,134,000 for the three months ended June 30, 1999, from \$8,112,000 for the three months ended June 30, 1998 and total expenses increased by \$4,791,000, or 60.8%, to \$12,677,000 for the three months ended June 30, 1999, from \$7,886,000 for the three months ended June 30, 1998. The results for Consolidare for the three and six months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999, since the Company has not yet realized many of the reduced costs of consolidation of administrative functions and the implementation of new computer systems.

### Results of Operations

#### Second Quarter of 1999 Compared to Second Quarter of 1998

Total revenues increased by \$1,842,000, or 22.7%, to \$9,954,000 for the three months ended June 30, 1999, from \$8,112,000 for the three months ended June 30, 1998. Contributing to this increase in total revenues was a \$1,339,000 increase in mortgage fee income, a \$469,000 increase in net mortuary and cemetery sales, and a \$129,000 increase in insurance premiums and other considerations. These increases were partially offset by a \$96,000 decrease in net investment income.

Insurance premiums and other considerations increased by \$129,000, or 8.8%, to \$1,585,000 for the three months ended June 30, 1999, from \$1,457,000 for the comparable period in 1998. This increase

was primarily due to an increase in new business. Net investment income decreased by \$96,000, or 5.1%, to \$1,772,000 for the three months ended June 30, 1999, from \$1,868,000 for the comparable period in 1998. This decrease was attributable to a lower yield on the Company's investments.

Net mortuary and cemetery sales increased by \$469,000, or 19.3%, to \$2,903,000 for the three months ended June 30, 1999, from \$2,433,000 for the comparable period in 1998. This increase was the result of additional pre-need and at-need sales.

Mortgage fee income increased by \$1,339,000, or 58.7%, to \$3,618,000 for the three months ended June 30, 1999, from \$2,279,000 for the comparable period in 1998. This increase was primarily attributable to more loan originations during the second quarter of 1999 due to the expansion of business activities in new geographic markets.

Total benefits and expenses were \$9,679,000, or 97.2% of total revenues for the three months ended June 30 1999, as compared to \$7,886,000, or 97.2% of total revenues for the comparable period in 1998.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits decreased by an aggregate of \$16,000, or .9%, to \$1,807,000 for the three months ended June 30, 1999, from \$1,823,000 for the comparable period in 1998. This decrease was primarily the result of lowering accumulative interest rates on policyholder funds from the previous year.

Amortization of deferred policy acquisition costs and cost of insurance acquired increased by \$96,000, or 32.4%, to \$393,000, for the three months ended June 30, 1999, from \$297,000 for the comparable period in 1998. This increase was in line with the increase in revenues.

General and administrative expenses increased by \$1,602,000 or 34.4%, to \$6,262,000 for the three months ended June 30, 1999, from \$4,660,000 for the comparable period in 1998. This increase primarily resulted from an increase in commissions and other expenses due to additional mortgage loan originations having been made by the Company's mortgage subsidiary during the second quarter of 1999 as a result of the expansion of its business activities in new geographic markets.

Interest expense decreased by \$5,000, or 2.3%, to \$229,000 for the three months ended June 30, 1999, from \$234,000 for the comparable period in 1998. This decrease was primarily due to the reduction in bank borrowings.

Cost of mortuaries and cemeteries goods and services sold increased by \$116,000, or 13.3%, to \$988,000 for the three months ended June 30, 1999, from \$872,000 for the comparable period in 1998. This increase was primarily related to an increase in pre-need and at-need sales.

#### Six Months Ended June 30, 1999 as Compared to Six Months Ended June 30, 1998

-----

Total revenues increased by \$3,128,000, or 19.6%, to \$19,047,000 for the six months ended June 30, 1999, from \$15,919,000 for the six months ended June 30, 1998. Contributing to this increase in total revenues was a \$2,537,000 increase in mortgage fee income, a \$128,000 increase in realized gains on investments, a \$169,000 increase in insurance premiums and other considerations, and a \$386,000 increase in net mortuary and cemetery sales. These increases were partially offset by a \$109,000 reduction in net investment income.

Insurance premiums and other considerations increased by \$169,000, or 5.6%, to \$3,184,000 for the six months ended June 30, 1999, from \$3,015,000 for the comparable period in 1998. This increase was primarily due to an increase in new business.

Net investment income decreased by \$109,000, or 2.9%, to \$3,603,000 for the six months ended June 30, 1999, from \$3,712,000 for the comparable period in 1998. This decrease was attributable to a lower yield on the Company's investments.

Net mortuary and cemetery sales increased by \$386,000, or 7.9%, to \$5,258,000 for the six months ended June 30, 1999, from \$4,872,000 for the comparable period in 1998. This increase was the result of additional pre-need and at-need sales.

Mortgage fee income increased by \$2,537,000, or 60.6%, to \$6,720,000 for the six months ended June 30, 1999, from \$4,183,000 for the comparable period in 1998. This increase was primarily attributable to more loan originations during 1999 due to the expansion of business activities in new geographic markets.

Total benefits and expenses were \$18,703,000, or 98.2% of total revenues for the six months ended June 30 1999, as compared to \$15,079,000, or 94.7% of total revenues for the comparable period in 1998.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$206,000, or 6.1%, to \$3,594,000 for the six months ended June 30, 1999, from \$3,388,000 for the comparable period in 1998. This increase was primarily the result of accumulative interest on policyholder funds and an increase in death claims.

Amortization of deferred policy acquisition costs and cost of insurance acquired increased by \$92,000, or 15.5%, to \$685,000, for the six months ended June 30, 1999, from \$593,000 for the comparable period in 1998. This increase was in line with the increase in revenues.

General and administrative expenses increased by \$3,073,000 or 33.6%, to \$12,209,000 for the six months ended June 30, 1999, from \$9,136,000 for the comparable period in 1998. This increase primarily resulted from an increase in commissions and other expenses due to additional mortgage loan originations having been made by the Company's mortgage subsidiary during 1999 as a result of the expansion of its business activities in new geographic markets.

Interest expense increased by \$71,000, or 16.8%, to \$490,000 for the six months ended June 30, 1999, from \$419,000 for the comparable period in 1998. This increase was primarily due to the additional bank borrowings required for the acquisition of Consolidare.

Cost of mortuaries and cemeteries goods and services sold increased by \$182,000, or 11.8%, to \$1,725,000 for the six months ended June 30, 1999, from \$1,543,000 for the comparable period in 1998. This increase was primarily related to an increase in pre-need and at-need sales.

#### Liquidity and Capital Resources

-----  
The Company's life insurance subsidiary and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the maturity of held-to-maturity investments, or

sale of other investments. The mortgage subsidiary realizes cash flow from fees generated by originating and refinancing mortgage loans and interest earned on mortgages sold to investors. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses on the issuance of new policies, the maintenance of existing policies, debt service, and 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 predominantly 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 life insurance subsidiaries amounted to \$67,817,000 as of June 30, 1999 compared to \$73,660,000 as of December 31, 1998. This represents 59.2% and 60.2% of the total insurance-related investments as of June 30, 1999 and December 31, 1998, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. At June 30, 1999, .68% (\$460,000) and at December 31, 1998, .63% (\$460,000) of the Company's total investment in bonds were invested in bonds in rating categories three through six, which are considered non-investment grade.

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 June 30, 1999 and December 31, 1998, the life insurance subsidiary exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was \$39,296,000 as of June 30, 1999 as compared to \$41,990,000 as of December 31, 1998. Stockholders' equity as a percent of capitalization increased to 67% as of June 30, 1999 from 64% as of December 31, 1998.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 1998 was 6.0% as compared to a rate of 11.7% for 1997. The 1999 lapse rate is approximately the same as 1998.



At June 30, 1999, \$20,663,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiary cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

#### Year 2000 Issues

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The Company is aware of the issues associated with the programming code in existing computer systems as the millennium (Year 2000) approaches. The Year 2000 problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

The Company's insurance operations have two different administrative systems for its insurance operations. The system used for Security National Life Insurance Company was converted to a Year 2000 compliant version in the fourth quarter of 1998. The Company expended approximately \$52,000 for the conversion to this latest version. As part of the acquisition of Southern Security Life Insurance Company ("Southern Security"), the Company purchased a new system which is Year 2000 compliant. The Company successfully converted Southern Security's existing system to the new system on January 1, 1999. The Company paid approximately \$1.0 million for this new system in 1998.

The Company's mortgage subsidiary uses a Year 2000 compliant system. The Company's mortuary and cemetery operations converted to the latest version for Year 2000 software during March 1999. The Company's general accounting and payroll systems were converted to Year 2000 versions during March 1999. The cost for these conversions were not significant to consolidated net income.

The anticipated future costs of addressing potential Year 2000 problems are not currently expected to have a material adverse impact on the Company's financial position, results of operations or cash flows in future periods. However, if the Company, its customers or vendors are unable to resolve such processing issues in a timely manner, it could result in a material financial risk. Management believes that manual policy and claims administration could be performed in the unlikely event that one or more of its systems did not function.

The Company has tested each personal computer being used for Year 2000 compliance and has installed or replaced the necessary software to meet compliance. The Company is monitoring the progress of third party vendors which the Company relies upon, such as software suppliers, telephone equipment and communication suppliers, electricity suppliers, natural gas suppliers, banks, brokers, U.S. Postal Service and express mail services. The Company is not aware of any of its suppliers that will not be Year 2000 compliant and will continue to monitor and make the necessary contingency plans where needed. The Company is aware of the risks associated with any of its internal systems or those of its suppliers that are not Year 2000 compliant.

#### Item 3. Quantitative and Qualitative Disclosure of Market Risk

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There have been no significant changes since the annual report Form 10-K filed for the year ended December 31, 1998.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
Without Consolidare and Subsidiaries  
For the Six Months Ended June 30, 1999 and 1998  
(Unaudited)

REVENUES:	1999	1998	Consolidare and Subsidiaries 1999
-----	-----	-----	-----
Insurance premiums and other considerations	\$ 6,360,008	\$3,014,874	\$ 3,176,270
Net investment income	5,346,571	3,712,179	1,743,375
Net mortuary and cemetery income	5,258,203	4,872,384	--
Realized gains on investments and other assets	225,658	98,099	--
Mortgage fee income	6,719,818	4,183,395	--
Other	778,062	38,520	721,904
	-----	-----	-----
Total Revenues	24,688,320	15,919,451	5,641,549
	=====	=====	=====
 BENEFITS AND EXPENSES:			
-----			
Death benefits	2,383,293	1,122,047	990,049
Surrenders and other policy benefits	2,535,433	540,711	1,640,334
Increase in future policy benefits	1,444,071	1,724,671	138,706
Amortization of deferred policy acquisition costs and cost of insurance acquired	2,526,176	593,054	1,841,072
General and administrative expenses:			
Commissions	5,249,708	3,243,517	(30,320)
Salaries	3,749,167	2,620,264	501,129
Other	4,082,757	3,272,580	401,757
Interest expense	490,259	419,729	--
Cost of mortuaries and cemeteries goods and services sold	1,724,774	1,542,620	--
	-----	-----	-----
Total benefits and expenses	24,185,638	15,079,193	5,482,727
	=====	=====	=====
Earnings before income taxes	502,682	840,258	158,822
Income tax expense	(159,413)	(194,331)	17,810
Minority interest in income of subsidiary	(63,631)	--	(63,631)
	-----	-----	-----
Net earnings	\$ 279,638	\$ 645,927	\$ 113,001
	=====	=====	=====

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
Without Consolidare and Subsidiaries  
For the Six Months Ended June 30, 1999 and 1998  
(Unaudited)

REVENUES:	Without Consolidare and Subsidiaries 1999	Amount	Variance without Consolidare and Subsidiaries Percent
-----	-----	-----	-----
Insurance premiums and other considerations	\$ 3,183,738	\$ 168,864	5.6%
Net investment income	3,603,196	(108,983)	(2.9)
Net mortuary and cemetery income	5,258,203	385,819	7.9
Realized gains on investments and other assets	225,658	127,559	130.0
Mortgage fee income	6,719,818	2,536,423	60.6
Other	56,158	17,638	45.8
	-----	-----	
Total Revenues	19,046,771	3,127,320	19.6
	=====	=====	
BENEFITS AND EXPENSES:			
-----			
Death benefits	1,393,244	271,197	24.2
Surrenders and other policy benefits	895,099	354,388	65.5
Increase in future policy benefits	1,305,365	(419,306)	(24.3)
Amortization of deferred policy acquisition costs and cost of insurance acquired	685,104	92,050	15.5
General and administrative expenses:			
Commissions	5,280,028	2,036,511	62.8
Salaries	3,248,038	627,774	24.0
Other	3,681,000	408,420	12.5
Interest expense	490,259	70,530	16.8
Cost of mortuaries and cemeteries goods and services sold	1,724,774	182,154	11.8
	-----	-----	
Total benefits and expenses	18,702,911	3,623,718	24.0
	=====	=====	
Earnings before income taxes	343,860	(496,398)	(59.1)
Income tax expense	(177,223)	17,108	(8.8)
Minority interest in income of subsidiary	--	--	
	-----	-----	
Net earnings	\$ 166,637	\$ (479,290)	(74.2)%
	=====	=====	

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
Without Consolidare and Subsidiaries  
For the Three Months Ended June 30, 1999 and 1998  
(Unaudited)

REVENUES:	1999	1998	Consolidare and Subsidiaries 1999
-----	-----	-----	-----
Insurance premiums and other considerations	\$ 3,010,592	\$1,456,809	\$ 1,425,230
Net investment income	2,805,006	1,868,025	1,032,621
Net mortuary and cemetery income	2,902,585	2,433,092	--
Realized gains on investments and other assets	55,965	62,053	--
Mortgage fee income	3,618,416	2,279,449	--
Other	741,142	12,598	721,904
	-----	-----	-----
Total Revenues	13,133,706	8,112,026	3,179,755
	=====	=====	=====
 BENEFITS AND EXPENSES:			
-----			
Death benefits	1,392,483	611,699	705,890
Surrenders and other policy benefits	1,322,294	241,222	791,703
Increase in future policy benefits	601,892	970,281	11,602
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,221,623	296,527	829,071
General and administrative expenses:			
Commissions	2,823,607	1,688,584	(83,488)
Salaries	1,959,014	1,356,994	394,729
Other	2,139,098	1,614,454	348,906
Interest expense	228,997	234,431	--
Cost of mortuaries and cemeteries goods and services sold	987,943	871,741	--
	-----	-----	-----
Total benefits and expenses	12,676,951	7,885,933	2,998,413
	=====	=====	=====
Earnings before income taxes	456,755	226,093	181,342
Income tax expense	(171,394)	(59,076)	(30,171)
Minority interest in income of subsidiary	(94,750)	--	(94,750)
	-----	-----	-----
Net earnings	\$ 190,611	\$ 167,017	\$ 56,421
	=====	=====	=====

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
Without Consolidare and Subsidiaries  
For the Three Months Ended June 30, 1999 and 1998  
(Unaudited)

REVENUES:	Without Consolidare and Subsidiaries 1999	Amount	Variance without Consolidare and Subsidiaries Percent
-----	-----	-----	-----
Insurance premiums and other considerations	\$ 1,585,362	\$ 128,553	8.8%
Net investment income	1,772,385	(95,640)	(5.1)
Net mortuary and cemetery income	2,902,585	469,493	19.3
Realized gains on investments and other assets	55,965	(6,088)	(9.8)
Mortgage fee income	3,618,416	1,338,967	58.7
Other	19,238	6,640	52.7
Total Revenues	9,953,951	1,841,925	22.7
 BENEFITS AND EXPENSES:			
Death benefits	686,593	74,894	12.2
Surrenders and other policy benefits	530,591	289,369	120.0
Increase in future policy benefits	590,290	(379,991)	(39.2)
Amortization of deferred policy acquisition costs and cost of insurance acquired	392,552	96,025	32.4
General and administrative expenses:			
Commissions	2,907,095	1,218,511	72.2
Salaries	1,564,285	207,291	15.3
Other	1,790,192	175,738	10.9
Interest expense	228,997	(5,434)	(2.3)
Cost of mortuaries and cemeteries goods and services sold	987,943	116,202	13.3
Total benefits and expenses	9,678,538	1,792,605	22.7
	=====	=====	
Earnings before income taxes	275,413	49,320	21.8
Income tax expense	(141,223)	(82,147)	139.1
Minority interest in income of subsidiary	--	--	
Net earnings	\$ 134,190	\$(32,827)	(19.7)
	=====	=====	

Part II Other Information:

Item 1. Legal Proceedings

The Company has been named as a party in connection with pending litigation brought by Garry Eckard & Co., Inc. ("Eckard") in the Federal District Court for the Southern District of Indiana. The complaint was filed on October 14, 1996 and alleges breach of contract and civil conversion pertaining to a finder's fee and seeks an unspecified amount of damages plus costs and attorneys' fees. In a prior letter to the Company from Eckard, it appears that the amount of the fee being sought is \$152,000 (excluding interest and attorney's fees). The complaint, pursuant to the civil conversion claim, seeks treble damages under Indiana's civil conversion statute.

The complaint was initially filed in the Indiana Hamilton County Superior Court, but was subsequently removed by the Company to the Federal District Court for the Southern District of Indiana. The Company filed a motion to dismiss for lack of personal jurisdiction and Eckard filed a motion to amend its complaint and to add Security National Life Insurance Company, a subsidiary of the Company, as a party defendant. On March 18, 1997, the Company's motion was granted to dismiss the complaint against the Company for lack of personal jurisdiction and Eckard's motion was granted to amend the complaint by adding Security National Life Insurance Company as a party defendant. The Company's motion to dismiss the complaint against the Company was granted without prejudice, which allows the complaint to be refiled in an appropriate jurisdiction.

Security National Life Insurance Company also filed a motion to dismiss for lack of personal jurisdiction. On October 10, 1997, this motion to dismiss the complaint for lack of personal jurisdiction was granted thereby also dismissing the case against Security National Life Insurance Company. Thus, the case in Indiana was dismissed without prejudice against both the Company and Security National Life Insurance Company for lack of personal jurisdiction.

On March 13, 1998, a letter was sent by Eckard's counsel relative to a settlement proposal together with a draft complaint against the Company and Security National Life Insurance Company for filing in the United States District Court for the District of Utah. There was no material difference between the complaint prepared for filing in Utah and the amended complaint which had been filed in Indiana. The complaint was filed in Utah on August 13, 1998. Since its filing (the claims being the same as in the Indiana action), the treble damage claim (conversion) has been dismissed with prejudice. The contract claim is the remaining claim. Eckard claims a fee of \$151,000 plus interest through July 31, 1999 of \$168,729, plus attorney's fees. The formal discovery period has ended. Eckard and the Company have both filed motions for summary judgment. Although no prediction of outcome is given, management intends to vigorously defend the action.

The Company has been named as a party in a lawsuit brought by Robert L. Anderson ("Anderson") in the Superior Court of San Diego, North County Judicial District, State of California. The complaint was filed on January 28, 1999

and pertains to the creation of the San Diego Memorial Park Partnership and the development of Singing Hills Memorial Park Cemetery. Anderson was denominated as a partner in the 1989 partnership agreement. He asserts that the Company did not carry out the partnership agreement in developing the property as a cemetery and residential lots and that instead the property was later acquired by California Memorial Estates, Inc., a subsidiary of the Company, and developed. Anderson asserts a claim for lost profits because of alleged breach of the partnership agreement and further asserts breach of fiduciary duty, actual fraud, constructive fraud, asks for an accounting, and alleges conspiracy and declaratory relief. He seeks punitive damages, legal fees and costs. Formal discovery has begun. At this juncture, with discovery in the beginning stage, no complete evaluation has been made. Management, however, intends to vigorously defend the matter and believes that Anderson did not perform as required and that he has no bona fide basis to complain.

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, adversely determined, would have a material adverse effect on the Company or its business.

Item 2. Changes in Securities

NONE

Item 3. Defaults Upon Senior Securities

NONE

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

NONE

Item 5. Other Information

NONE

Item 6. Exhibits and Reports on Form 8-K

(a) 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. Promissory Note with Key Bank of Utah (4)
- E. Loan and Security Agreement with Key Bank of Utah (4)
- F. General Pledge Agreement with Key Bank of Utah (4)
- G. 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)

- H. Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)
- I. Promissory Note with Page and Patricia Greer (6)
- J. Pledge Agreement with Page and Patricia Greer (6)
- K. Promissory Note with Civil Service Employees Insurance Company (7)
- L. Deferred Compensation Agreement with William C. Sargent (8)
- M. Employment Agreement with Scott M. Quist. (8)
- N. Acquisition Agreement with Consolidare Enterprises, Inc., and certain shareholders of Consolidare. (9)
- O. Agreement and Plan of Merger between Consolidare Enterprises, Inc., and SSLIC Holding Company. (10)
- P. Administrative Services Agreement with Southern Security Life Insurance Company. (11)
- Q. Promissory Note with George R. Quist. (12)

(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 Annual Report on Form 10-K, as filed on April 14, 1999.

27. Financial Data Schedule

(b) Reports on Form 8-K:

NONE



SIGNATURES

Pursuant to the requirements 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.

REGISTRANT  
SECURITY NATIONAL FINANCIAL CORPORATION  
Registrant

DATED: August 19, 1999  
-----

By: George R. Quist,  
-----  
President and Chief Executive Officer  
(Principal Executive Officer)

DATED: August 19, 1999  
-----

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

6-MOS

DEC-31-1998

JUN-30-1999

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27,417,453

26,403,232

5,399,057

14,863,854

7,924,809

114,551,029

7,070,297

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10,296,855

204,548,517

1,633,418

2,023,337

1,913,954

131,340,860

13,037,884

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10,324,002

15,933,784

204,548,517

6,360,008

5,346,571

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12,756,083

6,362,797

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