

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

FORM 10Q

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

For Quarter Ended March 31, 1997      Commission File Number: 0-9341

SECURITY NATIONAL FINANCIAL CORPORATION  
Exact Name of Registrant.

UTAH

87-0345941

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

-----  
IRS Identification Number

5300 South 360 West, Salt Lake City, Utah

84123

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

-----  
(Zip Code)

Registrant's telephone number,  
including Area Code

(801) 264-1060  
-----

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

YES    XX                      NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, net of treasury stock, as of the close of the period covered by this report.

Class A Common Stock, \$2.00 par value      3,479,133

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Title of Class

-----  
Number of Shares  
Outstanding as of  
March 31, 1997

Class C Common Stock, \$.20 par value      4,913,533

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Title of Class

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Number of Shares  
Outstanding as of  
March 31, 1997

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
FORM 10Q

QUARTER ENDED MARCH 31, 1997

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SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended March 31, 1997 (Unaudited)	1996 (Unaudited)
	-----	-----
<b>REVENUE:</b>		
Insurance premiums and other considerations	\$1,472,623	\$1,526,630
Net investment income	1,773,427	1,923,063
Net mortuary and cemetery sales	2,500,363	2,141,112
Realized gains on investments and other assets	36,027	5,898
Mortgage fee income	1,626,119	2,519,360
Other	10,932	31,528
	-----	-----
Total Revenue	7,419,491	8,147,591
 <b>BENEFITS AND EXPENSES:</b>		
Death benefits	528,424	497,359
Surrenders and other policy benefits	266,454	315,464
Increase in future policy benefits	742,452	944,961
Amortization of deferred policy acquisition costs and cost of insurance acquired	314,828	334,267
General and administrative expenses:		
Commissions	1,270,293	1,585,000
Salaries	1,266,044	1,082,819
Other	1,511,638	1,989,778
Interest expense	277,522	404,484
Cost of goods and services sold of the mortuaries and cemeteries	731,862	588,736
	-----	-----
Total benefits and expenses	6,909,517	7,742,868
Earnings before income taxes	509,974	404,723
Income tax expense	(117,294)	(113,493)
	-----	-----
Net earnings	\$ 392,680	\$ 291,230
	=====	=====
Earnings per share	\$0.10	\$0.08
	=====	=====
Weighted average outstanding common shares	4,030,707	3,839,648

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	March 31, 1997 (Unaudited)	December 31, 1996
Assets:	-----	-----
Investments:		
Fixed maturity securities		
held to maturity, at amortized cost	\$47,024,952	\$47,934,684
Equity securities available for sale,		
at market	3,905,839	4,133,105
Mortgage loans on real estate	8,269,966	9,809,379
Real estate, net of accumulated		
depreciation	7,726,486	7,808,255
Policy loans	2,993,995	3,021,155
Other loans	183,518	218,437
Short-term investments	3,831,872	2,258,283
Total insurance related investments	73,936,628	75,183,298
Restricted assets of cemeteries		
and mortuaries	3,538,136	3,454,622
Cash	7,513,158	3,301,084
Receivables:		
Trade contracts	4,484,690	4,514,010
Mortgage loans sold to investors	9,363,641	13,455,123
Receivable from agents	752,570	670,439
Other	295,047	292,680
Total receivables	14,895,948	18,932,252
Allowance for doubtful accounts	(1,762,999)	(1,862,599)
Net receivables	13,132,949	17,069,653
Land and improvements held for sale	8,468,736	8,456,302
Accrued investment income	1,049,627	1,040,242
Deferred policy acquisition costs	4,221,075	4,277,560
Property, plant and equipment, net	6,471,220	6,513,980
Cost of insurance acquired	3,683,867	3,748,654
Excess of cost over net assets		
of acquired subsidiaries	1,371,635	1,370,708
Other	277,059	293,400
	-----	-----
Total Assets	\$123,664,091	\$124,709,503

See accompanying notes to consolidated financial statements.

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

	March 31, 1997 (Unaudited)	December 31, 1996
	-----	-----
<b>Liabilities:</b>		
Future life, annuity, and other policy benefits	\$ 77,097,955	\$ 76,962,062
Line of credit for financing of mortgage loans	1,211,890	
Bank loans payable	6,526,376	6,768,119
Notes and contracts payable	4,431,652	4,509,921
Estimated future costs of pre-need sales	5,873,307	5,874,387
Payable to endowment care fund	153,880	70,617
Accounts payable	1,152,458	1,199,920
Other liabilities and accrued expenses	1,869,437	1,902,046
Income taxes	2,858,255	2,742,513
	-----	-----
Total liabilities	99,963,320	101,241,475
<b>Stockholders' Equity:</b>		
Common stock:		
Class A: \$2 par value, authorized 10,000,000 shares, issued 4,110,709 shares in 1997 and 1996	8,221,418	8,221,418
Class C: \$0.20 par value, authorized 7,500,000 shares, issued 4,967,072 shares in 1997 and 1996	993,413	993,413
Total common stock	9,214,831	9,214,831
Additional paid-in capital	8,675,386	8,675,386
Unrealized appreciation of investments	99,978	259,915
	-----	-----
Retained earnings	7,511,208	7,118,528
Treasury stock at cost (631,576 Class A shares and 53,540 Class C shares in 1997 and 1996, held by affiliated companies)	(1,800,632)	(1,800,632)
Total Stockholders' Equity	23,700,771	23,468,028
	-----	-----
Total Liabilities and Stockholders' Equity	\$123,664,091	\$124,709,503
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 1997 (Unaudited)	1996 (Unaudited)
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 392,680	\$ 291,230
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Realized gains on investments and other assets	(36,027)	(5,898)
Depreciation	184,914	494,490
Provision for losses on accounts and loans receivable	--	26,968
Amortization of goodwill, premiums, and discounts	(12,343)	18,150
Income taxes	115,743	113,322
Policy acquisition costs deferred	(193,555)	(250,570)
Policy acquisition costs amortized	250,040	334,267
Cost of insurance acquired amortized	64,787	207,443
Change in assets and liabilities net of effects from purchases and disposals of subsidiaries:		
Land and improvements held for sale	(12,434)	(171,229)
Future life and other benefits	521,370	376,649
Receivables for mortgage loans sold	4,091,482	3,350,961
Other operating assets and liabilities	(145,711)	(118,331)
	-----	-----
Net cash provided by operating activities	5,220,946	4,667,452
Cash flows from investing activities:		
Securities held to maturity:		
Calls and maturities - fixed maturity securities	1,024,503	876,517
Securities available for sale:		
Purchases - equity securities	--	(5,981)
Purchases of short-term investments	(1,573,589)	(2,227,307)
Sales of short-term investments	--	1,219,815
Purchases of restricted assets	(83,514)	(76,433)
Mortgage, policy, and other loans made	(263,248)	(155,330)
Payments received for mortgage, policy, and other loans	1,864,740	242,102
Purchases of property, plant, and equipment	(60,385)	(393,276)
Purchases of real estate	--	(54,699)
Net cash provided by (used in) investing activities	908,507	(574,592)

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

	Three Months Ended March 31, 1997 (Unaudited) -----	March 31, 1996 (Unaudited) -----
Cash flows from financing activities:		
Annuity receipts	580,740	786,349
Annuity withdrawals	(966,217)	(932,764)
Repayment of bank loans and notes and contracts payable	(320,012)	(355,829)
Net change in line of credit for financing of mortgage loans	(1,211,890)	(9,301,928)
Net cash used in financing activities	(1,917,379)	(9,804,172)
Net change in cash	4,212,074	(5,711,312)
	-----	-----
Cash at beginning of period	3,301,084	7,710,155
	-----	-----
Cash at end of period	\$ 7,513,158	\$ 1,998,843
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
March 31, 1997 and 1996  
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 1996, included in the Company's Annual Report on Form 10-K (file number 0-9341). Reclassification to certain 1996 balances have been made to conform with the 1997 presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

- - - - -

Overview

- - - - -

The Company's operations over the last three 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, annuities, and limited pay accident policies; (ii) emphasis on high margin cemetery and mortuary business; and (iii) capitalizing on the strong economy in the intermountain west by originating and refinancing mortgage loans.

First Quarter 1997 Compared to First Quarter 1996

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Total revenues decreased by \$728,000, or 9.0%, to \$7,420,000 for the three months ended March 31, 1997, from \$8,148,000 for the three months ended March 31, 1996. Contributing to this reduction in total revenues was a \$54,000 decrease in premiums and other considerations, a \$150,000 decrease in net investment income, and an \$893,000 decrease in mortgage fee income. These decreases were partially offset by a \$359,000 increase in net mortuary and cemetery sales.

Insurance premiums and other considerations decreased by \$54,000, or 3.5%, to \$1,473,000 for the three months ended March 31, 1997, from \$1,527,000 for the comparable period in 1996. This decrease was primarily due to a decrease in policies in force.

Net investment income decreased by \$150,000, or 7.8%, to \$1,773,000 for the three months ended March 31, 1997, from \$1,923,000 for the comparable period in 1996. This decrease was attributable to the Company maintaining larger cash and short term investment balances and warehousing fewer mortgage loans during the first quarter of 1997.

Net mortuary and cemetery sales increased by \$359,000, or 16.8%, to \$2,500,000 for the three months ended March 31, 1997, from \$2,141,000 for the comparable period in 1996. This increase was primarily related to additional preneed sales from the opening of Singing Hills Memorial Park Cemetery in San Diego, California during the third quarter of 1996. Preneed sales of cemetery and mortuary products also increased at the Company's other cemeteries and mortuaries.



Mortgage fee income decreased by \$893,000, or 35.5%, to \$1,626,000 for the three months ended March 31, 1997, from \$2,519,000 for the comparable period in 1996. This decrease was primarily attributable to fewer loan originations during the first quarter of 1997 as a result of higher interest rates during that period. Although the Company experienced more loan refinancing activity during 1996, it increased its volume in the home purchase financing market during the first quarter of 1997, which has a higher profit margin. The demand for housing in the intermountain area remains strong.

Total benefits and expenses were \$6,910,000, or 93.1% of total revenues for the three months ended March 31, 1997, as compared to \$7,743,000, or 95.0% of total revenues for the three months ended March 31, 1996. Death benefits, surrenders and other policy benefits and increase in future policy benefits decreased by \$220,000, or 12.5%, to \$1,538,000 for the three months ended March 31, 1997, from \$1,758,000 for the comparable period in 1996. This decrease was primarily the result of a decrease in annuity interest expense due to fewer annuity policies in force, fewer health benefits incurred and lower reserve increases in life products.

Amortization of deferred policy acquisition costs decreased by \$19,000, or 5.7%, to \$315,000, for the three months ended March 31, 1997, from \$334,000 for the comparable period in 1996. This decrease was expected since policies in force are essentially the same as a year ago.

General and administrative expenses decreased by \$610,000, or 13.1%, to \$4,048,000 for the three months ended March 31, 1997, from \$4,658,000 for the comparable period in 1996. This reduction in general and administrative expenses primarily resulted from a decrease in commissions and other expenses due to fewer mortgage loan originations made by the Company's mortgage subsidiary.

Interest expense decreased by \$127,000, or 31.4%, to \$278,000 for the three months ended March 31, 1997, from \$405,000 for the comparable period in 1996. This decrease was primarily due to fewer mortgage loan originations by the Company's mortgage subsidiary.

Cost of goods and services sold of the mortuaries and cemeteries increased by \$143,000, or 24.3%, to \$732,000 for the three months ended March 31, 1997, from \$589,000 for the comparable period in 1996. This increase was consistent with the increase in net mortuary and cemetery 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 to meet operating expenses.

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held to maturity in the portfolio to help in this timing; however, to date, that has not been necessary. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company's products. The Company's investment philosophy is intended to provide a rate of return which will persist during the expected duration of policyholder and cemetery and mortuary liabilities regardless of future interest rate movements.

The Company's investment policy is to invest predominately in fixed maturity securities and warehouse mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiary. Bonds owned by the insurance subsidiary amounted to \$47,019,000, at amortized cost as of March 31, 1997 compared to \$47,906,000 at amortized cost as of December 31, 1996. This represents 60% of the total insurance related investments in 1997 as compared to 63% in 1996. Generally all bonds owned by the life insurance subsidiary are rated by the National Association of Insurance Commissioners (NAIC). Under this rating system, there are six categories used for rating bonds. At March 31, 1997 \$1,877,596 or 4.0% and at December 31, 1996 \$1,994,000 or 4.2% 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 intends to hold its fixed income securities, including high-yield securities, in its portfolio to maturity. Business conditions, however, may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event the Company believes it could sell short-term investment grade securities before liquidating high-yielding longer term securities.

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At December 31, 1996 and 1995, the life subsidiary exceeded the regulatory criteria.

The Company's capitalization of stockholders' equity and long term debt was \$34,659,000 for the three months ended March 31, 1997 as compared to \$34,278,000 for the three months ended March 31, 1996. Stockholders' equity as a percent of capitalization increased to 68.4% for the three months ended March 31, 1997 from 64.1% for the three months ended March 31, 1996 and as a percent of assets increased to 19.2% from 17.1%.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance for 1997 was 12% as compared to a rate of 10.5% for 1996. The 1997 lapse rate is approximately the same as 1996.

In February 1997, the Company purchased all of the outstanding shares of common stock of Crystal Rose Funeral Home, Inc., an Arizona based mortuary, for a total consideration of \$547,000. The purchase price included a note to the former owner in the amount of \$297,000.

At March 31, 1997, \$9,969,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's insurance subsidiary. The life insurance subsidiary cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

Part II Other Information:

- Item 1. Legal Proceedings  
NONE
- Item 2. Changes in Securities  
NONE
- Item 3. Defaults Upon Senior Securities  
NONE
- Item 4. Submission of Matters to a Vote of Security Holders  
NONE
- Item 5. Other Information  
NONE
- Item 6. Exhibits and Reports on Form 8-K  
NONE

(a)(3) Exhibits

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

Exhibit

Table No	Document
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(a)(3) Exhibits:

EX-27

SIGNATURES

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

REGISTRANT  
SECURITY NATIONAL FINANCIAL CORPORATION  
Registrant

DATED: May 13, 1997  
-----  
By: George R. Quist,  
-----  
Chairman of the Board,  
President and Chief Executive  
Officer (Principal Executive  
Officer)

DATED: May 13, 1997  
-----  
By: Scott M. Quist  
-----  
First Vice President, General  
Counsel and Treasurer  
(Principal Financial and  
Accounting Officer)



3-MOS

DEC-31-1996

MAR-31-1997

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1,472,623

1,773,427

36,027

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