

SECURITY NATIONAL FINANCIAL CORP  
Form 10-Q  
August 14, 2018

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

FORM 10-Q

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

For the quarter ended June 30, 2018, or

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-09341

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

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

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

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

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

As of August 14, 2018, the registrant had 14,569,509 shares of Class A Common Stock, \$2.00 par value, outstanding and 2,089,184 shares of Class C Common Stock, \$2.00 par value, outstanding.

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SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
FORM 10-Q

QUARTER ENDED JUNE 30, 2018

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SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

## Part I - Financial Information

## Item 1. Financial Statements.

	June 30 2018 (Unaudited)	December 31 2017
Assets		
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	\$218,409,812	\$228,397,623
Equity securities at estimated fair value	6,078,767	6,037,855
Mortgage loans held for investment (net of allowances for loan losses of \$1,563,664 and \$1,768,796 for 2018 and 2017)	193,068,837	204,210,885
Real estate held for investment (net of accumulated depreciation of \$16,240,453 and \$18,788,869 for 2018 and 2017)	124,578,839	141,298,706
Other investments and policy loans (net of allowances for doubtful accounts of \$1,011,924 and \$846,641 for 2018 and 2017)	44,793,898	45,895,472
Accrued investment income	3,968,447	3,644,077
Total investments	590,898,600	629,484,618
Cash and cash equivalents	118,705,581	45,315,661
Loans held for sale at estimated fair value	170,538,537	133,414,188
Receivables (net of allowances for doubtful accounts of \$1,586,009 and \$1,544,518 for 2018 and 2017)	19,524,786	10,443,869
Restricted assets (including \$809,002 and \$809,958 for 2018 and 2017 at estimated fair value)	11,354,894	11,830,621
Cemetery perpetual care trust investments (including \$683,233 and \$682,315 for 2018 and 2017 at estimated fair value)	3,973,545	4,623,563
Receivable from reinsurers	13,256,173	13,394,603
Cemetery land and improvements	9,906,590	9,942,933
Deferred policy and pre-need contract acquisition costs	85,701,658	80,625,304
Mortgage servicing rights, net	21,117,937	21,376,937
Property and equipment, net	7,307,352	8,069,380
Value of business acquired	6,159,749	6,588,759
Goodwill	2,765,570	2,765,570
Other	6,538,475	4,297,048
Total Assets	\$1,067,749,447	\$982,173,054

See accompanying notes to condensed consolidated financial statements (unaudited).

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

	June 30 2018 (Unaudited)	December 31 2017
Liabilities and Stockholders' Equity		
Liabilities		
Future policy benefits and unpaid claims	\$610,717,068	\$604,746,951
Unearned premium reserve	4,058,696	4,222,410
Bank and other loans payable	208,777,621	157,450,925
Deferred pre-need cemetery and mortuary contract revenues	12,337,571	12,873,068
Cemetery perpetual care obligation	3,761,500	3,710,740
Accounts payable	4,354,663	3,613,100
Other liabilities and accrued expenses	31,786,281	29,655,087
Income taxes	22,370,243	17,332,783
Total liabilities	898,163,643	833,605,064
Stockholders' Equity		
Preferred Stock - non-voting - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Class A: common stock - \$2.00 par value; 20,000,000 shares authorized; issued 14,569,509 shares in 2018 and 14,535,577 shares in 2017	29,139,018	29,071,154
Class B: non-voting common stock - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Class C: convertible common stock - \$2.00 par value; 3,000,000 shares authorized; issued 2,089,184 shares in 2018 and 2,089,374 shares in 2017	4,178,368	4,178,748
Additional paid-in capital	38,476,728	38,125,042
Accumulated other comprehensive income, net of taxes	(1,448	) 603,170
Retained earnings	98,279,383	77,520,951
Treasury stock at cost - 397,022 Class A shares in 2018 and 537,203 Class A shares in 2017	(486,245	) (931,075 )
Total stockholders' equity	169,585,804	148,567,990
Total Liabilities and Stockholders' Equity	\$1,067,749,447	\$982,173,054

See accompanying notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended June		Six Months Ended June 30	
	30 2018	2017	2018	2017
Revenues:				
Insurance premiums and other considerations	\$19,190,831	\$17,498,500	\$38,001,189	\$34,855,624
Net investment income	9,741,965	8,322,307	19,816,396	17,338,683
Net mortuary and cemetery sales	3,551,109	3,280,375	6,783,838	6,639,348
Gains on investments and other assets	2,328,229	887,402	24,349,168	1,032,732
Other than temporary impairments on investments	-	(266,227 )	-	(318,366 )
Mortgage fee income	31,709,080	41,514,401	57,169,240	80,489,161
Other	2,343,912	2,075,836		