

SECURITY NATIONAL FINANCIAL CORP

Form 10-Q

May 15, 2007

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

**SECURITY NATIONAL FINANCIAL CORPORATION**

Exact Name of Registrant

**UTAH**

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

**87-0345941**

*I.R.S. Employer Identification Number*

**5300 South 360 West, Salt Lake City, Utah**

*Address of principal executive offices)*

**84123**

*(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 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934): YES  
NO X

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

<u>Class A Common Stock, \$2.00 par value</u>	<u>6,356,105</u>
Title of Class	Number of Shares Outstanding as of May 11, 2007

<u>Class C Common Stock, \$.20 par value</u>	<u>6,966,849</u>
Title of Class	Number of Shares Outstanding as of May 11, 2007

### SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

#### FORM 10-Q

QUARTER ENDED MARCH 31, 2007

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SECURITY NATIONAL FINANCIAL CORPORATION

AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2007	December 31, 2006
<b>Assets</b>		
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	\$98,777,033	\$98,317,519
Fixed maturity securities available for sale, at estimated fair value	3,411,393	3,417,531
Equity securities, available for sale, at estimated fair value	5,522,229	5,261,695

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Mortgage loans on real estate and construction loans, net of allowances for losses	84,684,905	85,135,011
Real estate, net of accumulated depreciation	5,080,382	5,002,853
Policy, student and other loans net of allowance for doubtful accounts	13,247,940	12,846,986
Short-term investments	2,897,408	4,586,828
Accrued investment income	3,134,708	2,684,029
Total investments	216,755,998	217,252,452
Cash and cash equivalents	18,676,670	10,376,585
Mortgage loans sold to investors	52,853,667	59,817,248
Receivable, net	16,831,334	14,878,118
Restricted assets of cemeteries and mortuaries	5,584,064	5,430,870
Cemetery perpetual care trust investments	1,339,455	1,306,984
Receivable from reinsurers	721,943	700,850
Cemetery land and improvements sold to investors	8,811,355	8,745,424
Deferred policy and pre-need contract acquisition costs	29,017,854	28,395,762
Property and equipment, net	14,522,272	14,059,529
Cost of insurance acquired	11,633,412	11,882,047
Goodwill	683,191	683,191
Other	4,710,858	3,866,123
<b>Total assets</b>	<b>\$382,142,073</b>	<b>\$377,395,183</b>

SECURITY NATIONAL FINANCIAL CORPORATION

AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(Unaudited)

	March 31, 2007	December 31, 2006
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Future life, annuity, and other benefits	\$270,108,272	\$268,403,765
Unearned premium reserve	4,725,598	4,519,387
Bank loans payable	6,665,103	6,923,344
Notes and contracts payable	665,620	747,188
Deferred pre-need cemetery and mortuary contract revenues	11,674,214	11,533,798
Accounts payable	1,648,738	1,820,178
Other liabilities and accrued expenses	13,461,724	11,611,033
Income taxes	16,606,508	16,587,284
Total liabilities	325,555,777	322,145,977
<b>Non-Controlling Interest in Perpetual Care Trusts</b>	2,309,539	2,278,510
<b>Stockholders' Equity:</b>		
Common stock:		
Class A: \$2.00 par value, authorized 10,000,000 shares authorized; issued 7,551,232 shares in 2007 and 7,533,230 shares in 2006	15,102,464	15,066,460
Class B non-voting common stock-\$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	--	--
Class C: convertible common stock - \$0.20 par value; 7,500,000 shares authorized; issued 7,111,894 shares in 2007 and 7,117,591 shares in 2006	1,422,379	1,423,518
Additional paid-in capital	17,125,517	17,064,488

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Accumulated other comprehensive income and other items	2,264,673	1,703,155
Retained earnings	21,143,712	20,495,063
Treasury stock at cost - 1,195,127 Class A shares and 145,045 Class C shares in 2007; 1,195,127 Class A shares and 145,045 Class C shares in 2006	(2,781,988)	(2,781,988)
Total stockholders' equity	54,276,757	52,970,696
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$382,142,073</b>	<b>\$377,395,183</b>

See accompanying notes to condensed consolidated financial statements.

## SECURITY NATIONAL FINANCIAL CORPORATION

### AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three Months Ended March 31,	
<b>Revenues:</b>		
Insurance premiums and other considerations	\$ 7,962,275	\$ 7,554,270
Net investment income	7,943,458	5,074,686
Net mortuary and cemetery sales	3,510,937	3,054,798
Realized gains (losses) on investments and other assets	(21,531)	(2,584)
Mortgage fee income	29,521,887	16,629,591
Other	129,126	92,932
Total revenues	49,046,152	32,403,693
<b>Benefits and expenses:</b>		
Death benefits	4,092,279	3,821,959
Surrenders and other policy benefits	608,622	587,125
Increase in future policy benefits	2,743,468	2,333,007
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	1,360,840	807,455
General and administrative expenses:		
Commissions	22,439,724	12,362,260
Salaries	5,784,898	4,242,752
Other	7,207,882	5,290,766
Interest expense	3,099,321	1,020,791
Cost of goods and services sold-mortuaries and cemeteries	651,740	635,421
Total benefits and expenses	47,988,774	31,101,536
<b>Earnings before income taxes</b>	<b>1,057,378</b>	<b>1,302,157</b>
Income tax (expense) benefit	(312,837)	(288,491)
<b>Net earnings</b>	<b>\$744,541</b>	<b>\$1,013,666</b>
<b>Net earnings per common share</b>	<b>\$0.11</b>	<b>\$0.15</b>
<b>Net earnings per common share-assuming dilution</b>	<b>\$0.10</b>	<b>\$0.14</b>
Weighted average outstanding common shares	7,043,860	6,904,987
Weighted average outstanding common shares		

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assuming-dilution	7,315,436	7,022,363
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See accompanying notes to condensed consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION

AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 2007	2006
<b>Cash flows from operating activities:</b>		
Net cash provided by operating activities	\$10,321,204	\$16,686,154
<b>Cash flows from investing activities:</b>		
Securities held to maturity:		
Purchase - fixed maturity securities	(1,501,387)	(2,492,945)