

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 March 31, 2001

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 XX 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	3,874,566
----- Title of Class	----- Number of Shares Outstanding as of March 31, 2001

Class C Common Stock, \$.20 par value	5,762,729
----- Title of Class	----- Number of Shares Outstanding as of March 31, 2001

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10Q

QUARTER ENDED MARCH 31, 2001

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

	Three Months Ended March 31,	
	2001	2000
Revenues:		
- - - - -	----	----
Insurance premiums and other considerations	\$3,481,137	\$3,393,774
Net investment income	3,149,358	2,803,749
Net mortuary and cemetery sales	3,008,129	2,695,021
Realized gains on investments and other assets	4,097	32,725
Mortgage fee income	8,620,708	4,641,211
Other	31,324	52,486
	-----	-----
Total revenues	18,294,753	13,618,966
Benefits and expenses:		
- - - - -		
Death benefits	1,548,294	1,190,036
Surrenders and other policy benefits	296,599	594,076
Increase in future policy benefits	1,251,159	1,347,708
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,077,737	1,121,029
General and administrative expenses:		
Commissions	6,537,199	3,770,448
Salaries	2,036,660	1,939,850
Other	3,037,154	2,231,696
Interest expense	707,553	332,838
Cost of goods and services sold of the mortuaries and cemeteries	1,091,752	846,209
	-----	-----
Total benefits and expenses	17,584,107	13,373,890
Earnings before income taxes	710,646	245,076
Income tax expense	(190,156)	(59,062)
Minority interest (income) loss of subsidiary	8,503	(18,808)
	-----	-----
Net earnings	\$528,993	\$167,206
	=====	=====
Net earnings per common share	\$0.12	\$0.04
	=====	=====
Weighted average outstanding common shares	4,450,839	4,308,119
Net earnings per common share-assuming dilution	\$0.12	\$0.04
	=====	=====
Weighted average outstanding common shares assuming-dilution	4,451,094	4,308,119

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	March 31, 2001 (Unaudited)	December 31, 2000
	-----	-----
Assets:		
Insurance-related investments:		
Fixed maturity securities held to maturity, at amortized cost	\$35,292,741	\$39,384,168
Fixed maturity securities available for sale, at market	24,051,839	23,504,989
Equity securities available for sale, at market	2,622,442	2,774,077
Mortgage loans on real estate	17,983,278	17,435,178
Real estate, net of accumulated depreciation	8,493,676	8,564,395
Policy, student and other loans	11,337,195	11,277,742
Short-term investments	208,153	1,027,927
	-----	-----
Total insurance-related investments	99,989,324	103,968,476
Restricted assets		
of cemeteries and mortuaries	4,943,491	4,841,819
Cash	3,427,260	11,275,030
Receivables:		
Trade contracts	6,770,134	5,342,380
Mortgage loans sold to investors	40,601,271	26,886,162
Receivable from agents	2,187,148	2,225,784
Receivable from officers	109,700	111,500
Other	3,677,042	3,503,320
	-----	-----
Total receivables	53,345,295	38,069,146
Allowance for doubtful accounts	(1,689,342)	(1,656,223)
	-----	-----
Net receivables	51,655,953	36,412,923
Policyholder accounts on deposit with reinsurer	7,401,986	7,434,750
Land and improvements held for sale	8,413,228	8,485,523
Accrued investment income	1,444,714	1,302,552
Deferred policy acquisition costs	12,163,923	12,043,527
Property, plant and equipment, net	10,676,491	10,824,700
Cost of insurance acquired	8,523,224	8,729,264
Excess of cost over net assets of acquired subsidiaries	1,145,206	1,172,599
Other	593,379	695,683
	-----	-----
Total assets	\$210,378,179	\$207,186,846
	=====	=====

See accompanying notes to consolidated financial statements.

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

	March 31, 2001 (Unaudited)	December 31, 2000
	-----	-----
Liabilities:		

Future life, annuity, and other policy benefits	\$139,853,424	\$140,000,344
Unearned premium reserve	1,634,018	1,754,980
Line of credit for financing line of mortgage loans	2,000,000	--
Bank loans payable	9,282,453	9,805,118
Notes and contracts payable	4,179,711	4,240,830
Estimated future costs of pre-need sales	7,436,387	7,119,544
Accounts payable	538,597	1,242,407
Funds held under reinsurance treaties	1,410,670	1,417,216
Other liabilities and accrued expenses	5,405,051	4,115,920
Income taxes	6,498,571	6,124,512
	-----	-----
Total liabilities	178,238,882	175,820,871
Minority interest	4,734,920	4,624,614
Stockholders' Equity:		

Common stock:		
Class A: \$2 par value, authorized 10,000,000 shares, issued 5,107,630 shares in 2001 and 5,107,631 shares in 2000	10,215,260	10,215,262
Class C: \$0.20 par value, authorized 7,500,000 shares, issued 5,827,805 shares in 2001 and 2000	1,165,561	1,165,561
	-----	-----
Total common stock	11,380,821	11,380,823
Additional paid-in capital	10,054,714	10,054,714
Accumulated other comprehensive income, net of deferred taxes	970,776	836,751
Retained earnings	8,360,299	7,831,306
Treasury stock at cost (1,233,064 Class A shares and 65,078 Class C shares in 2001 and 2000 held by affiliated companies)	(3,362,233)	(3,362,233)
	-----	-----
Total stockholders' equity	27,404,377	26,741,361
	-----	-----
Total liabilities and stockholders' equity	\$210,378,179	\$207,186,846
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2001	2000
	----	----
Cash flows from operating activities:		
Net cash (used in) provided by operating activities	\$(11,925,632)	\$5,440,144
	-----	-----
Cash flows from investing activities: Securities held to maturity:		
Purchase - fixed maturity securities	(402,995)	(4,798,597)
Calls and maturities - fixed maturity securities	4,509,696	1,003,108
Securities available for sale:		
Purchases - equity securities	--	(64,650)
Calls and maturities - fixed maturity securities	6,250	1,052,940
Purchases of short-term investments	(6,948,226)	(1,280,889)
Sales of short-term investments	7,768,000	2,039,185
Purchases of restricted assets	(101,672)	(123,818)
Mortgage, policy, and other loans made	(1,820,134)	(1,661,439)
Payments received for mortgage, policy, and other loans	1,215,028	3,064,888
Purchases of property, plant, and equipment	(106,839)	(190,342)
Purchases of real estate	(18,439)	(781,311)
Disposal of property, plant and equipment	--	(3,175)
	-----	-----
Net cash provided by (used in) investing activities	4,100,669	(1,744,100)
	-----	-----
Cash flows from financing activities:		
Annuity receipts	1,739,650	2,366,519
Annuity withdrawals	(3,178,673)	(3,301,933)
Repayment of bank loans and notes and contracts payable	(583,784)	(176,068)
Net change in line of credit for financing of mortgage loans	2,000,000	(8,587,023)
Purchase of treasury stock	--	(815,121)
	-----	-----
Net cash (used in) provided by financing activities	(22,807)	(10,513,626)
	-----	-----
Net change in cash	(7,847,770)	(6,817,582)
	-----	-----
Cash at beginning of period	11,275,030	12,422,864
	-----	-----
Cash at end of period	\$3,427,260	\$5,605,282
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
March 31, 2001
(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, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2000, 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 March 31, 2001 and 2000, total comprehensive income amounted to \$663,018 and \$28,371, respectively.

3. Capital Stock

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

	Three Months Ended March 31,	
	2001	2000
	----	----
Numerator:		
Net income	\$ 528,993	\$ 167,206
	=====	=====
Denominator:		
Denominator for basic earnings per share-- weighted-average shares	4,450,839	4,308,119
Effect of dilutive securities:		
Employee stock options	255	--
Stock appreciation rights	--	--
	-----	-----
Dilutive potential common shares	255	--
	-----	-----
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	4,451,094	4,308,119
	=====	=====
Basic earnings per share	\$0.12	\$0.04
	=====	=====
Diluted earnings per share	\$0.12	\$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
March 31, 2001
(Unaudited)

4. Business Segment

	Life Insurance -----	Cemetery/ Mortuary -----	Mortgage -----	Corporate -----	Items -----	Reconciling Consolidated -----
For the Three Months Ended						
March 31, 2001						
Revenues from external customers	\$5,343,741	\$3,255,402	\$9,695,589	\$21	\$ --	\$18,294,753
Intersegment revenues	968,754	--	--	966,748	1,935,502)	--
Segment profit	6,488	169,840	214,541	319,777	--	710,646
Identifiable assets	199,538,313	35,847,523	4,845,984	2,350,942	(32,204,583)	210,378,179
For the Three Months Ended						
March 31, 2000						
Revenues from external customers	\$5,553,505	\$2,877,374	\$5,188,066	\$21	\$ --	\$13,618,966
Intersegment revenues	696,799	--	--	962,426	(1,659,225)	--
Segment profit	(23,205)	64,444	(86,344)	290,181	--	245,076
Identifiable assets	195,084,873	34,647,782	2,884,834	2,851,354	(30,101,588)	205,367,255

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
March 31, 2001
(Unaudited)

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 lower interest rates by originating and refinancing mortgage loans.

Results of Operations

First Quarter of 2001 Compared to First Quarter of 2000

Total revenues increased by \$4,676,000, or 34.3%, to \$18,295,000 for the three months ended March 31, 2001, from \$13,619,000 for the three months ended March 31, 2000. Contributing to this increase in total revenues was a \$3,980,000 increase in mortgage fee income, a \$346,000 increase in net investment income, a \$313,000 increase in net mortuary and cemetery sales, and a \$87,000 increase in insurance premiums and other considerations.

Insurance premiums and other considerations increased by \$87,000, or 2.6%, to \$3,481,000 for the three months ended March 31, 2001, from \$3,394,000 for the comparable period in 2000. This increase was primarily the result of a additional premiums from increased sales of final expense products.

Net investment income increased by \$346,000, or 12.3%, to \$3,150,000 for the three months ended March 31, 2001, from \$2,804,000 for the comparable period in 2000. This increase was primarily attributable to a greater number of loan originations during the three months of 2001 due to lower interest rates and borrowers refinancing their mortgage loans.

Net mortuary and cemetery sales increased by \$313,000, or 11.6%, to \$3,008,000 for the three months ended March 31, 2001, from \$2,695,000 for the comparable period in 2000. This increase was primarily due to additional pre-need cemetery sales.

Mortgage fee income increased by \$3,980,000, or 85.7%, to \$8,621,000 for the three months ended March 31, 2001, from \$4,641,000 for the comparable period in 2000. This increase was primarily attributable to a greater number of loan originations during the three months of 2001 due to lower interest rates and borrowers refinancing their mortgage loans.

Total benefits and expenses were \$17,584,000, or 96.1% of total revenues for the three months ended March 31, 2001, as compared to \$13,374,000, or 98.2% of total revenues for the comparable period in 2000.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits decreased by an aggregate of \$36,000, or 1.1%, to \$3,096,000 for the three months ended March 31, 2001, from \$3,132,000 for the comparable period in 2000. This decrease was primarily the result of a decrease in interest credited on policyholder account balances.

Amortization of deferred policy acquisition costs and cost of insurance acquired decreased by \$43,000, or 3.9%, to \$1,078,000 for the three months ended March 31, 2001, from \$1,121,000 for the comparable period in 2000. This decrease was in line with actuarial assumptions.

General and administrative expenses increased by \$3,669,000, or 46.2%, to \$11,611,000 for the three months ended March 31, 2001, from \$7,942,000 for the comparable period in 2000. 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 three months of 2001 due to lower interest rates and borrowers refinancing their mortgage loans.

Interest expense increased by \$375,000, or 112.6%, to \$708,000 for the three months ended March 31, 2001, from \$333,000 for the comparable period in 2000. This increase was primarily due to additional warehouse lines of credit required for the additional mortgage loan originations by the Company's mortgage subsidiary.

Cost of goods and services sold of the mortuaries and cemeteries increased by \$246,000, or 29.0%, to \$1,092,000 for the three months ended March 31, 2001, from \$846,000 for the comparable period in 2000. This increase was primarily due to additional pre-need cemetery sales.

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 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 \$59,317,000 as of March 31, 2001, compared to \$62,889,000 as of December 31, 2000. This represents 59% and 60% of the total insurance-related investments as of March 31, 2001, and December 31, 2000, 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 March 31, 2001, .41% (\$407,000) and at December 31, 2000, .68% (\$429,000) 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 March 31, 2001, and December 31, 2000, the life insurance subsidiary exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was \$40,867,000 as of March 31, 2001, as compared to \$40,787,000 as of December 31, 2000. Stockholders' equity as a percent of capitalization increased to 67% as of March 31, 2001, from 66% as of December 31, 2000.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2000 was 15% as compared to a rate of 10% for 1999. The 2001 lapse rate is approximately the same as 2000.

At March 31, 2001, \$22,672,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

Item 3. Quantitative and Qualitative Disclosure of Market Risk

There have been no significant changes since the annual report Form 10-K filed for the year ended December 31, 2000.

Part II Other Information:

Item 1. Legal Proceedings

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)
- R. Settlement Agreement with Capitol Indemnity Corporation, George A. Fait, and Joel G. Fait. (13)
 - (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.
 - (13) Incorporated by reference from Quarterly Report on Form 10-Q, as filed on August 21, 2000.

(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: May 21, 2001

By: George R. Quist,

Chairman of the Board,
President and Chief
Executive Officer
(Principal Executive Officer)

DATED: May 21, 2001

By: Scott M. Quist

First Vice President,
General Counsel,
Treasurer and Director
(Principal Financial
and Accounting Officer)

