

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 June 30, 1995  
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Commission File Number: 000-9341  
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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  
-----

3,026,391  
-----

Title of Class

Number of Shares  
Outstanding as of  
of June 30, 1995

Class C Common Stock, \$.40 par value  
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2,250,764  
-----

Title of Class

Number of Shares  
Outstanding as of  
June 30, 1995

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
FORM 10Q

QUARTER ENDED JUNE 30, 1995

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SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS

	Six Months Ended June 30,		Three Months Ended June 30,	
	1995 (Unaudited)	1994 (Unaudited)	1995 (Unaudited)	1994 (Unaudited)
	-----	-----	-----	-----
<b>REVENUES:</b>				
Insurance premiums and other considerations	\$ 2,953,272	\$ 2,523,916	\$ 1,459,922	\$ 1,187,836
Net investment income	3,215,504	1,885,879	1,535,925	937,739
Realized gains on investments and other assets	544	93,446	(970)	30,320
Mortuary and cemetery sales	3,859,447	2,967,437	2,310,127	1,573,508
Mortgage fee income	1,194,823	786,998	878,394	128,193
Other	38,355	101,853	(68,322)	80,845
	-----	-----	-----	-----
Total Revenues	11,261,945	8,359,529	6,115,076	3,938,441
<b>BENEFITS AND EXPENSES:</b>				
Death benefits	1,034,684	877,326	521,513	377,617
Surrenders and other policy benefits	1,240,360	435,818	519,148	201,676
Increase in future policy benefits	695,941	931,746	373,509	593,195
Amortization of deferred policy acquisition costs	501,126	457,656	271,243	179,567
General and administrative expenses:				
Commissions	1,349,070	651,121	866,857	330,594
Salaries	1,591,656	1,500,484	849,996	698,498
Other	2,143,731	2,064,545	1,043,657	832,491
Interest expense	505,972	347,853	286,205	185,186
Cost of mortuary and cemetery lots and services	1,130,901	851,031	669,756	464,304
	-----	-----	-----	-----
Total benefits and expenses	10,193,441	8,117,580	5,401,884	3,863,228
	-----	-----	-----	-----
Earnings before income taxes	1,068,504	241,949	713,192	75,214
Income tax (expense) benefit	(273,900)	(70,165)	(181,935)	(21,182)
	-----	-----	-----	-----
Net earnings	\$ 794,604	\$ 171,784	\$ 531,257	\$ 54,031
	=====	=====	=====	=====
Net earnings per share	\$0.24	\$0.05	\$0.16	\$0.02
	=====	=====	=====	=====
Weighted average outstanding common shares	3,322,310	3,270,899	3,322,310	3,270,899

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	June 30, 1995 (Unaudited)	December 31, 1994
	-----	-----
Assets:		
Investments:		
Fixed maturity securities held to maturity, at amortized cost	\$38,714,696	\$39,397,628
Equity securities available for sale, at market	4,479,654	4,149,713
Mortgage loans on real estate	20,134,945	14,681,293
Real estate, net of accumulated depreciation	7,764,524	7,586,650
Policy loans	2,571,713	2,670,989
Other loans	598,221	677,334
Short-term investments	1,420,072	4,013,296
	-----	-----
Total insurance related investments	75,683,825	73,176,903
Restricted assets of cemeteries and mortuaries	2,805,907	2,482,068
Cash	1,087,780	2,060,876
Receivables:		
Trade contracts	5,096,182	4,938,098
Receivable from agents	469,952	463,040
Other	269,658	336,801
	-----	-----
Total receivables	5,835,792	5,737,939
Allowance for doubtful accounts	(2,069,683)	(1,923,808)
	-----	-----
Net receivables	3,766,109	3,814,131
Land and improvements held for sale	8,119,441	6,920,208
Accrued investment income	975,577	996,845
Deferred policy acquisition costs	4,695,030	4,860,865
Property, plant and equipment, net	6,547,830	4,899,873
Cost of insurance acquired	3,462,013	3,488,383
Excess of cost over net assets of acquired subsidiaries	1,488,791	718,391
Other	381,610	339,714
	-----	-----
Total Assets	\$109,013,913	\$103,758,257
	=====	=====

See accompanying notes to consolidated financial statements.

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

	June 30, 1995 (Unaudited)	December 31, 1994
	-----	-----
<b>Liabilities:</b>		
Future life, annuity, and other benefits	\$ 63,098,163	\$ 61,895,251
Bank loans payable	8,006,615	7,440,576
Notes and contracts payable	4,471,758	2,768,546
Estimated future costs of pre-need sales	6,453,309	6,284,421
Payable to endowment care fund	313,397	319,336
Accounts payable and accrued expenses	2,094,272	1,760,399
Other liabilities	1,328,359	1,438,889
Income taxes	1,871,294	1,872,294
	-----	-----
<b>Total Liabilities</b>	<b>87,637,167</b>	<b>83,779,712</b>
<b>Stockholders' Equity:</b>		
Common stock:		
Class A: \$2 par value, authorized 10,000,000 shares, issued 3,558,406 shares in 1995 and 3,558,406 shares in 1994	7,116,814	7,116,814
Class C: \$0.40 par value, authorized 7,500,000 shares, issued 2,275,045 shares in 1995 and 2,275,045 shares in 1994	910,018	910,018
Additional paid-in capital	7,214,061	7,214,061
Unrealized appreciation of investments	551,520	221,790
Retained earnings	7,223,165	6,154,694
	-----	-----
Treasury stock at cost (532,015 Class A shares and 24,281 Class C shares in 1995; 532,015 Class A shares and 24,281 Class C shares in 1994, held by affiliated companies)	(1,638,832)	(1,638,832)
	-----	-----
Net Stockholders' Equity	21,376,746	19,978,545
	-----	-----
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$109,013,913</b>	<b>\$103,758,257</b>
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 1995 (Unaudited) -----	1994 (Unaudited) -----
Cash flows from operating activities:		
Net earnings	\$ 794,604	\$ 171,784
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net realized gain on sale of investments	(544)	(86,187)
Depreciation	356,098	298,327
Provision for losses on accounts and loans receivable	145,875	180,154
Amortization of goodwill, premiums, and discounts	(868,795)	2,162
Amortization of cost of insurance acquired	26,370	--
Deferred taxes	273,900	70,165
Policy acquisition costs deferred	(335,291)	468,143
Policy acquisition costs amortized	501,126	(457,656)
Change in assets and liabilities net of effects from purchase of subsidiary:		
Land and improvements held for sale	(1,199,233)	(12,684)
Future life and other benefits	692,461	744,648
Other operating assets and liabilities	608,655	40,108
	-----	-----
Net cash provided by operating activities	995,226	1,419,000
Cash flows from investing activities:		
Securities held to maturity:		
Purchases - fixed maturity securities	--	(6,374,816)
Calls and maturities - fixed maturity securities	778,053	1,229,124
Securities available for sale:		
Sales - equity securities	66,250	221,854
Purchases - equity securities	(66,250)	(209,275)
Net purchases and sales of short-term investments and restricted assets of cemeteries and mortuaries	2,269,386	2,396,554
Mortgage and other loans made	(15,080,828)	(13,097,591)
Payments received for mortgage and other loans	9,726,801	12,512,751
Change in policy loans	99,276	45,919
Purchases of property, plant, and equipment	(1,866,999)	(285,736)
Purchases of real estate	(331,624)	(1,131,565)
Purchase of subsidiary net of cash acquired	(342,089)	--
	-----	-----
Net cash used in investing activities	(4,748,024)	(4,692,781)

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

	Six Months Ended June 30, 1995 (Unaudited) -----	1994 (Unaudited) -----
Cash flows from financing activities:		
Net increase in annuity contracts	510,451	490,317
Repayment of notes and contracts payable	(676,502)	(666,357)
Proceeds from borrowings on notes and contracts payable	2,945,753	970,658
	-----	-----
Net cash provided by financing activities	2,779,702	794,618
	-----	-----
Net decrease in cash	(973,096)	(2,479,163)
	-----	-----
Cash at beginning of period	2,060,876	6,831,051
	-----	-----
Cash at end of period	\$1,087,780	\$4,351,888
	=====	=====

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 1995 and 1994  
(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 and six months ended June 30, 1995, are not necessarily indicative of the results that may be expected for the year ending December 31, 1995. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 1994, included in the Company's Annual Report on Form 10-K (file number 0-9341).

2. Acquisition of San Diego Property

On February 3, 1995, the Company purchased approximately 100 acres of real property located in San Diego, California, of which approximately 35 acres will be used for the development of a cemetery. In purchasing the property the Company incurred a debt of \$1,062,000. This debt carries an interest rate of 9% per annum and will be paid in twelve monthly installments of \$5,000. Thereafter, equal monthly payments of \$10,000 will be made, however interest shall not accrue on any part of the principal balance until February 3, 1996.

3. Acquisition of Greer-Wilson Funeral Home

On March 8, 1995, the Company was issued 97,800 shares of common stock of Greer-Wilson Funeral Home, Inc. ("Greer-Wilson"), representing 97.8% of the total issued and outstanding shares of common stock of Greer-Wilson after the issuance of such shares. In consideration for the purchase of such shares, the Company agreed to contribute \$430,000 to Greer-Wilson for the payment of its accounts payable, or to assume payment of the accounts payable, and to pay or refinance Greer-Wilson's existing mortgage loan indebtedness; and to pay the former President, Mr. Greer, and his wife \$6,000 per month over a ten year period for providing consulting services. The Company also loaned the former President and his wife the sum of \$200,000 to be paid on March 8, 2005, together with interest thereon at the rate of seven percent (7%) per annum. This obligation is collateralized by a pledge of the remaining 2,200 shares of Greer-Wilson's common stock that is currently owned by Mr. Greer. The acquisition was accounted for using the purchase method. Assets, liabilities, and operations of Greer-Wilson are included in the consolidated financial statements of the Company beginning April 1, 1995.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS  
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, (ii) decreased general and administrative costs as a percentage of revenue through efforts to reduce operating costs and through eliminating unnecessary duplication of costs at acquired companies; and (iii) emphasis on high margin cemetery and mortuary business.

The Company maintains a diversified investment portfolio consisting of common stock, preferred stock, municipal bonds, investment grade and non-investment grade bonds, mortgage loans, short term and other securities and investments. The Company's investment goals are to maintain safety and liquidity, enhance principal values and achieve increased rates of return consistent with regulatory restraints. The Company's interest sensitive type products, primarily annuities and interest sensitive whole life, compete with other financial products such as bank certificates of deposit, brokerage sponsored money market funds as well as competing life insurance company products.

Three Months Ended June 30, 1995 as Compared to Three Months Ended June 30, 1994

The following schedule summarizes the effect the acquisition of Capital Investors Life Insurance Company and Greer-Wilson Funeral Home had on the consolidated statements for the three months ended June 30, 1995.

	Consolidated 1995 (Unaudited)	Capital Investors Life 1995 (Unaudited)	Greer-Wilson 1995 (Unaudited)	Consolidated Without the Effects of Capital Investors Life and Greer-Wilson 1995 (Unaudited)	Consolidated 1994 (Unaudited)
	-----	-----	-----	-----	-----
<b>REVENUES:</b>					
Insurance premiums and other considerations	\$ 1,459,922	\$ 239,616	\$ --	\$ 1,220,306	\$ 1,187,836
Net investment income	1,535,925	480,821	--	1,055,104	937,739
Realized gains on investments and other assets	(970)	--	--	(970)	30,320
Mortuary and cemetery sales	2,310,127	--	521,902	1,788,225	1,573,508
Mortgage fee income	878,394	--	--	878,394	128,193
Other	(68,322)	(81,261)	2,370	10,569	80,845
	-----	-----	-----	-----	-----
Total Revenues	6,115,076	639,176	524,272	4,951,628	3,938,441
<b>BENEFITS AND EXPENSES:</b>					
Death benefits	521,513	125,274	--	396,239	377,617
Surrenders and other policy benefits	519,148	322,206	--	196,942	201,676
Increase in future policy benefits	373,509	(200,624)	--	574,133	593,195
Amortization of deferred policy acquisition costs	271,243	71,686	--	199,557	179,567
General and administrative expenses:					
Commissions	866,857	(8,186)	1,398	873,645	330,594
Salaries	849,996	--	88,347	761,649	698,498
Other	1,043,657	43,689	107,680	892,288	832,491
Interest expense	286,205	--	45,441	240,764	185,186
Cost of mortuary and cemetery lots and services	669,756	--	132,528	537,228	464,403
	-----	-----	-----	-----	-----
Total benefits and expenses	5,401,884	354,045	375,394	4,672,445	3,863,227
	-----	-----	-----	-----	-----
Earnings before income taxes	\$ 713,192	\$ 285,131	\$ 148,878	\$ 279,183	\$ 75,214
	=====	=====	=====	=====	=====

The following management's discussion and analysis for the three months ended June 30, 1995 and June 30, 1994, excludes the acquisition of Capital Investors Life Insurance Company and Greer-Wilson Funeral Home.

Three Months Ended June 30, 1995 as Compared to Three Months Ended June 30, 1994

Total revenues increased by \$1,013,000 (25.7%), from \$3,938,000 for the three months ended June 30, 1994 to \$4,951,000 for the three months ended June 30, 1995. Contributing to this increase in total revenue was a \$117,000 increase in net investment income, a \$215,000 increase in mortuary and cemetery sales, and a \$750,000 increase in mortgage fee income.

Net investment income increased by \$117,000, from \$938,000 for the second quarter of 1994 to \$1,055,000 for the second quarter of 1995. This increase was attributable to the Company's emphasis on investing its cash and short-term investments in higher-yielding long-term investments. Also, the life insurance companies and the cemeteries and mortuaries have participated in warehousing many of the mortgage loans generated by the Company's mortgage company, Security National Mortgage Company.

Realized gains on investment and other assets decreased by \$31,000, from a \$30,000 gain for the second quarter of 1994 as compared to a \$1,000 loss for the second quarter of 1995. This decrease was a result of fewer bond redemptions during the second quarter of 1995. Bond redemptions occurred during the second quarter of 1994, due to lower interest rates and improved performance of the stock market.

Mortuary and cemetery sales increased \$215,000, from \$1,574,000 for the second quarter 1994 to \$1,789,000 for the second quarter of 1995. This increase was primarily the result of a \$52,000 increase in the mortuary division and a \$178,000 increase in the pre-need sales of the cemeteries.

Mortgage fee income increased \$750,000, from \$128,000 for the second quarter of 1994 to \$878,000 for the second quarter of 1995. This increase was the result of lower interest rates during the second quarter of 1995, thereby increasing the opportunity for refinancing and loan origination.

Total benefits and expenses were \$3,863,000 for the second quarter of 1994, which was 98% of the total revenues of the Company as compared to \$4,672,000 or 94% of the total revenues for the second quarter of 1995.

Death benefits, surrenders and other policy benefits and increase in future policy benefits decreased in the aggregate by \$5,000, from \$1,172,000 for the second quarter of 1994 to \$1,167,000 for the second quarter of 1995. These benefits are in line with the actuarial assumptions and industry standards.

Amortization of deferred policy acquisition costs increased by \$20,000, from \$180,000 for the second quarter of 1994 to \$200,000 for the second quarter of 1995. This increase was primarily due to the maturing of the policies in force.

General and administrative expenses increased by \$666,000, from \$1,862,000 for the second quarter of 1994 to \$2,528,000 for the second quarter of 1995. This increase was primarily

due to an increase in commission expenses and other expenses. Commission expenses increased \$543,000, from \$331,000 for the second quarter of 1994 to \$874,000 for the second quarter of 1995. This increase was due to increased business activity by Security National Mortgage Company.

Other expenses increased \$60,000, from \$832,000 for the second quarter of 1994 to \$892,000 for the second quarter of 1995. This increase was the result of increased operating expenses at Security National Mortgage and increased allowance for accounts receivable in the cemeteries and mortuaries. This increase was partially off-set by the decrease in amortization of the expenses associated with an acquisition in 1989 of a large funeral planning sales agency. The acquisition expenses were capitalized and amortized over a five-year period ending December 31, 1994.

Interest expenses increased \$56,000, from \$185,000 for the second quarter of 1994 to \$241,000 for the second quarter of 1995. This increase was primarily due to the interest on the debt acquired for the acquisitions of Capital Investors Life Insurance Company and Greer-Wilson Funeral Home, which were completed on December 21, 1994 and April 1, 1995, respectively.

Cost of mortuary and cemetery lots and services increased by \$73,000, from \$464,000 for the second quarter of 1994, to \$537,000 for the second quarter of 1995. This increase in cost was consistent with the recent increase in sales of the mortuaries and cemeteries.

## Six Months Ended June 30, 1995 Compared to Six Months Ended June 30, 1994

The following schedule summarizes the effect the acquisition of Capital Investors Life Insurance Company and Greer-Wilson Funeral Home had on the consolidated statements for the six months ended June 30, 1995.

	Consolidated 1995 (Unaudited)	Capital Investors Life 1995 (Unaudited)	Greer-Wilson 1995 (Unaudited)	Consolidated Without the Effects of Capital Investors Life and Greer-Wilson 1995 (Unaudited)	Consolidated 1994 (Unaudited)
<b>REVENUES:</b>					
Insurance premiums and other considerations	\$ 2,953,272	\$ 472,127	\$ --	\$ 2,481,145	\$ 2,523,916
Net investment income	3,215,504	957,822	--	2,257,682	1,885,879
Realized gains on investments and other assets	544	--	--	544	93,446
Mortuary and cemetery sales	3,859,447	--	521,902	3,337,545	2,967,437
Mortgage fee income	1,194,823	--	--	1,194,823	786,998
Other	38,355	10,273	2,370	25,712	101,853
<b>Total Revenues</b>	<b>11,261,945</b>	<b>1,440,222</b>	<b>524,272</b>	<b>9,297,451</b>	<b>8,359,529</b>
<b>BENEFITS AND EXPENSES:</b>					
Death benefits	1,034,684	200,289	--	834,395	877,326
Surrenders and other policy benefits	1,240,360	859,125	--	381,235	435,818
Increase in future policy benefits	695,941	(386,994)	--	1,082,935	931,746
Amortization of deferred policy acquisition costs	501,126	128,372	--	372,754	325,417
General and administrative expenses:					
Commissions	1,349,070	24,061	1,398	1,323,611	651,121
Salaries	1,591,656	--	88,347	1,503,309	1,500,484
Other	2,143,731	260,054	107,680	1,775,997	2,196,684
Interest expense	505,972	--	45,441	460,531	347,853
Cost of mortuary and cemetery lots and services	1,130,901	--	132,528	998,373	851,131
<b>Total benefits and expenses</b>	<b>10,193,441</b>	<b>1,084,907</b>	<b>375,394</b>	<b>8,733,140</b>	<b>8,117,580</b>
<b>Earnings before income taxes</b>	<b>\$ 1,068,504</b>	<b>\$ 355,315</b>	<b>\$148,878</b>	<b>\$ 564,311</b>	<b>\$ 241,949</b>

The following management's discussion and analysis for the six months ended June 30, 1995 and June 30, 1994, excludes the acquisition of Capital Investors Life Insurance Company and Greer-Wilson Funeral Home.

Six Months Ended June 30, 1995 as Compared to Six Months Ended June 30, 1994

Total revenues increased by \$938,000 (11.2%), from \$8,360,000 for the six months ended June 30, 1994 to \$9,298,000 for the six months ended June 30, 1995. Contributing to this increase in total revenues was a \$372,000 increase in net investment income, a \$370,000 increase in mortuary and cemetery sales, and a \$408,000 increase in mortgage fee income.

Net investment income increased by \$372,000, from \$1,886,000 for the six months ended June 30, 1994 to \$2,258,000 for the six months ended June 30, 1995. This increase was attributed to the Company's emphasis in fiscal 1995 on investing its cash and short-term investments in higher-yielding long-term investments. Also, the life insurance companies and the cemeteries and mortuaries participated in warehousing many of the mortgage loans generated by Security National Mortgage Company.

Realized gains on investments and other assets decreased by \$93,000, from \$93,500 for the six months ended June 30, 1994, to \$500 for the six months ended June 30, 1995. This decrease was a result of fewer bond redemptions during the first six months of 1995. Bond redemptions occurred during the first six months of 1994, due to lower interest rates and improved performance of the stock market.

Mortuary and cemetery sales increased by \$370,000, from \$2,967,000 for the six months ended June 30, 1994, to \$3,337,000 for the six months ended June 30, 1995. The mortuary sales increased by \$159,000 whereas the cemetery pre-need sales increased by \$281,000.

Mortgage fee income increased \$408,000, from \$787,000 for the six months ended June 30, 1994 to \$1,195,000 for the six months ended June 30, 1995. This increase was a result of lower interest rates for the second quarter of 1995, thereby increasing the opportunity for refinancing and loan originations.

Total benefits and expenses were \$8,118,000 for the six months ended June 30, 1994, which is 97% of the total revenues of the Company, as compared to \$8,773,000, or 94% of the total revenues for the six months ended June 30, 1995.

Death benefits, surrenders and other policy benefits and increase in future policy benefits decreased by \$54,000, from \$2,245,000 for the six months ended June 30, 1994, to \$2,299,000 for the six months ended June 30, 1995. These benefits are in line with the actuarial assumption and industry standards.

Amortization of deferred policy acquisition costs increased by \$47,000, from \$325,000 for the six months ended June 30, 1994, to \$373,000 for the six months ended June 30, 1995. This increase was primarily due to the maturing of the policies in force.

General and administrative expenses increased by \$255,000, from \$4,348,000 for the six months ended June 30, 1994 to \$4,603,000 for the six months ended June 30, 1995. This increase was primarily due to an increase in commission expenses off-set by a smaller decrease in other expenses. Commission expenses increased \$673,000, from \$651,000 for the six months ended June 30, 1994 to \$1,324,000 for the six months ended June 30, 1995. This increase was due to increased business activity by Security National Mortgage Company.

Other expenses decreased \$421,000, which was primarily due to the Company's acquisition in 1989 of a large funeral planning sales agency. The acquisition expenses were capitalized and amortized over a five year period ending December 31, 1994.

Interest expense increased by \$113,000, from \$348,000 for the six months ended June 30, 1994, to \$461,000 for the six months ended June 30, 1995. This increase was primarily due to the interest on the debt acquired for the acquisitions of Capital Investors Life Insurance Company and Greer Wilson Funeral Home, which were completed on December 21, 1994 and April 1, 1995, respectively.

Cost of mortuary and cemetery lots and services have increased by \$147,000, from \$851,000 for the six months ended June 30, 1994, to \$998,000 for the six months ended June 30, 1995. This increase in cost was consistent with the recent increase in sales of the mortuaries and cemeteries.

#### Liquidity and Capital Resources

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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 investment, or sale of other investments. 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 and the maintenance of existing policies.

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 in accordance with the requirements and laws governing the life insurance subsidiary. Bonds owned by the insurance subsidiary amounted to \$38,714,696, at amortized cost as of June 30, 1995. Generally all bonds owned by life insurance companies are rated by the National Association of Insurance Commissioners (NAIC). Under this rating system, there are six categories used for rating bonds. At June 30, 1995, 2.3% (\$1,738,000) and at June 30, 1994, 1.5% (\$739,000) of the Company's total invested assets were invested in bonds in rating categories three through six which are considered non-investment grade.

The Company's interest sensitive type products, primarily annuities and interest sensitive whole life, compete with other financial products such as bank certificates of deposit, brokerage sponsored money market funds as well as competing life insurance company products. Based on preliminary information, the Company plans 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 cash equivalents in investment grade securities before liquidating high-yield securities.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 1994 was 8%, as compared to a rate of 9% in 1993. The Company's primary needs for liquidity are for debt service, maintenance of statutory capital and surplus for its life insurance subsidiaries and administrative expenses and cost of cemetery and mortuary services to be rendered.

On February 12, 1993, Security National Life Insurance Company entered into a purchase and sale agreement for the Pinehill Business Park located in Murray, Utah. The purchase price was \$2,150,000 with debt financing of \$1,500,000 through a local bank. As of June 30, 1995, about 95% of the available space was occupied.

On July 31, 1993, the Company contributed assets of approximately \$268,000 to its new wholly-owned subsidiary, Security National Mortgage Company. Security National Mortgage Company operates in two principal markets: refinancing of mortgage loans and origination of mortgage loans. These loans are sold on the secondary market to investors with servicing obligations released. Security National Life Insurance Company intends to act as a warehouse lender for the mortgage loans. By becoming a warehouse lender, Security National Life Insurance Company can obtain a long term interest rate on its assets without committing the funds for a long period of time.

On January 10, 1994, the Company acquired Sunset Funeral Home, Inc. ("Sunset"), which owns and operates a mortuary in Phoenix, Arizona, known as Camelback Sunset Funeral Home. As consideration for the purchase, the Company paid \$140,000 in cash, issued 25,000 shares of Class A Common Stock, assumed an existing debt of \$588,000, and entered into an agreement to pay the seller the sum of \$3,500 in monthly installments during his lifetime up to a maximum of \$560,000. In the event of the death of the seller prior to the payment of \$560,000, the remaining unpaid balance of such amount would be paid to his daughter.

On December 21, 1994, the Company purchased all of the outstanding shares of common stock of Capital Investors Life Insurance Company ("Capital Investors Life") from Suncoast Financial Corporation ("Suncoast Financial"). As consideration for the purchase of the shares, the Company paid \$5,231,000 in cash, issued 40,000 shares of its Class A Common Stock, and entered into a profit sharing agreement providing for 33-1/3% of the profits from new post-closing sales of existing Capital Investors Life plans of insurance to be paid as earned. An aggregate of \$2,700,000 of the cash consideration was borrowed by the Company from Key Bank, Crossroads Office, Salt Lake City, Utah, and is payable by the Company in accordance with the terms of a Promissory Note dated December 16, 1994, bearing interest at one-half percent per annum above the bank's prime rate, and payable in monthly payments in the amount of \$36,420, with the unpaid principal balance, together with accrued interest and other charges, due and payable on December 16, 1999. The remainder of the purchase price came from the Company's internal funds.

On February 3, 1995, the Company purchased approximately 100 acres of real property (the "Property") located in San Diego, California, approximately 35 acres of which will be used for the development of a cemetery. The purchase price of the



property was \$1,162,000, \$100,000 of which was paid in cash and the balance of \$1,062,000, together with interest thereon at the rate of nine percent (9%) per annum, will be paid in 12 monthly payments of \$5,000, thereafter in equal monthly payments of \$10,000; however, interest shall not accrue on any part of the principal balance until February 3, 1996, and a principal payment of \$100,000 is to be made 15 days after the date the California Cemetery Board approves the Company's application for Certificate of Authority, or February 3, 1996, whichever occurs first.

The Company has invested and deferred approximately \$2,090,000 in option fees and costs of various regulatory studies, including environmental, water, and archaeological studies. The Company has been given approval from the federal government and the California Cemetery Board to operate a cemetery. The development of the cemetery will be financed internally as well as through a private offering. Initial development of 35 acres to operate as a cemetery would cost approximately \$500,000.

On March 8, 1995, the Company was issued 97,800 shares of common stock of Greer-Wilson Funeral Home, Inc. ("Greer-Wilson"), representing 97.8% of the total issued and outstanding shares of common stock of Greer-Wilson after the issuance of such shares. In consideration for the purchase of such shares, the Company agreed to contribute \$430,000 to Greer-Wilson for the payment of its accounts payable, or to assume payment of the accounts payable, and to pay or refinance Greer-Wilson's existing mortgage loan indebtedness; and to pay the former President and his wife \$6,000 per month over a ten year period for providing consulting services. The Company also loaned the former President, Mr. Greer, and his wife the sum of \$200,000 to be paid on March 8, 2005, together with interest thereon at the rate of seven percent (7%) per annum. This obligation is collateralized by a pledge of the remaining 2,200 shares of Greer-Wilson's common stock that is currently owned by Mr. Greer.

At June 30, 1995, \$9,034,417 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's insurance subsidiary Security National Life and Capital Investors Life. Security National and Capital Investors are restricted to the amount of dividends they may pay depending upon their earnings and surplus. Generally, Security National's and Capital Investors' excess surplus as calculated under the Utah Insurance Code is not restricted except for prior notification to the Department of Insurance if the dividend exceeded the preceding year's earnings.

Part II Other Information:

Item 1.NONE

Item 2.NONE

Item 3.NONE

Item 4.NONE

Item 5.NONE

Item 6. The Company filed a report on Form 8-K with the Securities and Exchange Commission on May 3, 1995. The reports supplied information under Section 2 thereof, captioned "Acquisition or Disposition of Assets," which was related to the acquisition of Greer-Wilson Funeral Home, Inc.

(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	
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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: August 11, 1995 By: Scott M. Quist  
First Vice President, General  
Counsel, Treasurer and Principal  
Accounting Officer

DATED: August 11, 1995 By: George R. Quist  
President

