

SECURITY NATIONAL FINANCIAL CORP
Form 10-Q
August 15, 2016

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, 2016, 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

(State or other jurisdiction of incorporation or organization)

87-0345941

(I.R.S. Employer Identification No.)

5300 South 360 West, Suite 250, Salt Lake City, Utah

(Address of principal executive offices)

84123

(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, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller

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reporting 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

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.

<u>Class A Common Stock, \$2.00 par value</u>	<u>13,145,813</u>
Title of Class	Number of Shares Outstanding as of August 15, 2016

<u>Class C Common Stock, \$2.00 par value</u>	<u>1,707,909</u>
Title of Class	Number of Shares Outstanding as of August 15, 2016

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q

QUARTER ENDED JUNE 30, 2016

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SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

Part I - Financial Information

Item 1. Financial Statements.

Assets	June 30 2016 (Unaudited)	December 31 2015
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	\$ 144,060,136	\$ 145,558,425
Equity securities, available for sale, at estimated fair value	9,103,276	8,431,090
Mortgage loans on real estate and construction loans, held for investment net of allowances for loan losses of \$2,204,536 and \$1,848,120 for 2016 and 2015	131,382,747	112,546,905
Real estate held for investment, net of accumulated depreciation of \$14,210,346 and \$12,210,346 for 2016 and 2015	116,234,204	114,852,432
Policy loans and other investments, net of allowances for doubtful accounts of \$1,088,476 and \$906,616 for 2016 and 2015	37,487,895	39,582,421
Short-term investments	20,775,666	16,915,808
Accrued investment income	2,425,239	2,553,819
Total investments	461,469,163	440,440,900
Cash and cash equivalents	36,799,922	40,053,242
Mortgage loans sold to investors	101,822,140	115,286,455
Receivables, net	19,701,844	16,026,100
Restricted assets	9,741,202	9,359,802
Cemetery perpetual care trust investments	2,272,121	2,848,759
Receivable from reinsurers	13,211,785	13,400,527
Cemetery land and improvements	10,716,153	10,780,996
Deferred policy and pre-need contract acquisition costs	63,775,100	59,004,909
Mortgage servicing rights, net	15,416,565	12,679,755
Property and equipment, net	16,024,628	11,441,660
Value of business acquired	8,119,690	8,743,773
Goodwill	2,765,570	2,765,570
Other	7,838,588	7,100,869
Total Assets	\$769,674,471	\$749,933,317

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

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

	June 30 2016 (Unaudited)	December 31 2015
Liabilities and Stockholders' Equity		
Liabilities		
Future life, annuity, and other benefits	\$523,194,973	\$517,177,388
Unearned premium reserve	4,603,248	4,737,305
Bank and other loans payable	42,597,959	40,908,915
Deferred pre-need cemetery and mortuary contract revenues	12,485,835	12,816,227
Cemetery perpetual care obligation	3,477,966	3,465,771
Accounts payable	2,942,416	3,502,046
Other liabilities and accrued expenses	31,955,010	31,027,381
Income taxes	28,272,139	25,052,059
Total liabilities	649,529,546	638,687,092
Stockholders' Equity		
Common Stock:		
Class A: common stock - \$2.00 par value; 20,000,000 shares authorized; issued 13,137,701 shares in 2016 and 13,109,100 shares in 2015	26,275,402	26,218,200
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; 2,000,000 shares authorized; issued 1,716,020 shares in 2016 and 1,709,640 shares in 2015	3,432,040	3,419,280
Additional paid-in capital	30,710,390	30,232,582
Accumulated other comprehensive income, net of taxes	2,403,288	1,533,828
Retained earnings	59,128,762	52,021,764
Treasury stock at cost - 812,491 Class A shares in 2016 and 930,546 Class A shares in 2015	(1,804,957)	(2,179,429)
Total stockholders' equity	120,144,925	111,246,225
Total Liabilities and Stockholders' Equity	\$769,674,471	\$749,933,317

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

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

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
Revenues:				
Insurance premiums and other considerations	\$15,899,526	\$13,914,894	\$30,351,101	\$27,768,409
Net investment income	9,135,820	8,590,673	18,128,011	16,413,517
Net mortuary and cemetery sales	3,520,071	3,017,853	6,765,927	5,890,088
Realized gains on investments and other assets	120,543	500,776	218,465	920,840
Other than temporary impairments on investments	(30,000)	(55,311)	(103,630)	(111,207)