

SECURITY NATIONAL FINANCIAL CORP
Form 10-Q
November 14, 2012

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 September 30, 2012, 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 office)

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 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.

Class A Common Stock, \$2.00 par value	9,770,443
Title of Class	Number of Shares Outstanding as of November 13, 2012
Class C Common Stock, \$.20 par value	10,451,661
Title of Class	Number of Shares Outstanding as of November 13, 2012

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 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 [X]

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q

QUARTER ENDED SEPTEMBER 30, 2012

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

	September 30, 2012	December 31, 2011
Assets		
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	\$ 131,017,591	\$ 127,579,087
Equity securities, available for sale, at estimated fair value	5,404,888	6,299,392
Mortgage loans on real estate and construction loans, held for investment net of allowances for losses of \$4,263,375 and \$4,881,173 for 2012 and 2011	83,868,637	115,155,967
Real estate held for investment, net of accumulated depreciation of \$4,417,735 and \$4,189,641 for 2012 and 2011	3,596,336	3,786,780
Other real estate owned held for investment, net of accumulated depreciation of \$2,748,820 and \$1,810,238 for 2012 and 2011	59,562,388	46,398,095
Other real estate owned held for sale	5,998,740	5,793,900
Policy and other loans, net of allowances for doubtful accounts of \$449,011 and \$427,136 for 2012 and 2011	18,443,304	18,463,277
Short-term investments	8,248,217	6,932,023
Accrued investment income	2,501,814	2,323,080
Total investments	318,641,915	332,731,601
Cash and cash equivalents	57,172,185	17,083,604
Mortgage loans sold to investors	75,798,504	77,339,445
Receivables, net	14,692,059	9,934,075
Restricted assets of cemeteries and mortuaries	3,935,062	3,392,497
Cemetery perpetual care trust investments	2,049,165	1,810,185
Receivable from reinsurers	14,401,284	7,484,466
Cemetery land and improvements	11,086,542	11,105,809
Deferred policy and pre-need contract acquisition costs	37,271,008	36,237,069
Property and equipment, net	10,271,152	9,300,185
Value of business acquired	10,251,094	11,020,834
Goodwill	677,039	677,039
Other	4,513,891	3,022,113
Total Assets	\$ 560,760,900	\$ 521,138,922

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2012	December 31, 2011
Liabilities and Stockholders' Equity		
Liabilities		
Future life, annuity, and other benefits	\$400,594,188	\$381,595,568
Unearned premium reserve	4,889,796	5,030,443
Bank and other loans payable	22,687,673	25,019,119
Deferred pre-need cemetery and mortuary contract revenues	13,396,419	13,140,483
Cemetery perpetual care obligation	3,091,056	2,983,077
Accounts payable	2,939,381	2,672,479
Other liabilities and accrued expenses	23,628,940	14,456,887
Income taxes	18,784,667	15,010,279
Total liabilities	490,012,120	459,908,335
Stockholders' Equity		
Common Stock:		
Class A: common stock - \$2.00 par value; 20,000,000 shares authorized; issued 9,639,121 shares in 2012 and 9,638,798 shares in 2011	19,278,242	19,277,596
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; 15,000,000 shares authorized; issued 10,132,749 shares in 2012 and 10,135,976 in 2011	2,026,550	2,027,195
Additional paid-in capital	19,577,091	19,487,565
Accumulated other comprehensive income, net of taxes	492,886	654,443
Retained earnings	31,791,885	22,546,623
Treasury stock at cost - 1,060,011 Class A shares in 2012 and 1,198,167 Class A shares in 2011	(2,417,874)	(2,762,835)
Total stockholders' equity	70,748,780	61,230,587
Total Liabilities and Stockholders' Equity	\$560,760,900	\$521,138,922

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Insurance premiums and other considerations	\$12,045,553	\$11,823,557	\$36,915,237	\$36,409,158
Net investment income	5,732,572	5,107,590	17,924,518	14,095,396
Net mortuary and cemetery sales	2,619,605	2,442,221	8,121,244	8,146,824
Realized gains on investments and other assets	222,621	226,480	580,607	1,829,136
Other than temporary impairments on investments	(440,315)	(30,000)	(530,315)	(95,129)
Mortgage fee income	43,294,916	21,517,970	103,872,556	50,615,851
Other	272,951	236,869	715,490	962,049
Total revenues	63,747,903	41,324,687	167,599,337	111,963,285
Benefits and expenses:				
Death benefits	5,914,468	5,303,622	16,024,565	16,588,193
Surrenders and other policy benefits	453,838	398,556	1,566,828	1,425,175
Increase in future policy benefits	4,806,944	5,153,073	15,743,504	14,680,267
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	1,930,760	1,863,959	5,804,495	5,819,497
Selling, general and administrative expenses:				
Commissions	23,486,730	13,268,027	58,766,750	30,417,508
Salaries	7,344,712	5,690,438	20,664,919	17,593,130
Provision for loan losses and loss reserve	1,763,090	466,025	3,263,437	1,573,360
Costs related to funding mortgage loans	1,980,512	1,219,729	5,141,164	3,065,563
Other	8,328,740	6,191,082	23,033,728	18,491,242
Interest expense	1,142,428	497,714	2,758,313	1,191,356
Cost of goods and services sold-mortuaries and cemeteries	463,386	437,972	1,334,369	1,464,908
Total benefits and expenses	57,615,608	40,490,197	154,102,072	112,310,199
Earnings (loss) before income taxes	6,132,295	834,490	13,497,265	(346,914)
Income tax (provision) benefit	(2,142,249)	(64,168)	(4,252,003)	803,630
Net earnings	\$3,990,046	\$770,322	\$9,245,262	\$456,716
Net earnings per Class A Equivalent common share (1)	\$0.42	\$0.08	\$0.97	\$0.05
Net earnings per Class A Equivalent common share-assuming dilution (1)	\$0.38	\$0.08	\$0.97	\$0.05
Weighted-average Class A equivalent common share outstanding (1)	9,585,285	9,390,822	9,540,631	9,258,945

Weighted-average Class A equivalent common shares outstanding-assuming dilution (1)	10,439,161	9,408,180	9,553,397	9,284,488
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(1) Net earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends. The weighted-average shares outstanding includes the weighted-average Class A common shares and the weighted-average Class C common shares determined on an equivalent Class A common share basis. Net earnings per common share represent net earnings per equivalent Class A common share. Net earnings per Class C common share is equal to one-tenth (1/10) of such amount.

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net earnings	\$3,990,046	\$770,322	\$9,245,262	\$456,716
Other comprehensive income:				
Net unrealized gains (losses) on derivative instruments	(2,184,088)	904,655	(260,238)	1,355,745
Net unrealized gains (losses) on available for sale securities	82,521	(1,287,086)	98,681	(1,645,741)
Other comprehensive loss	(2,101,567)	(382,431)	(161,557)	(289,996)
Comprehensive income	\$1,888,479	\$387,891	\$9,083,705	\$166,720

See accompanying notes to condensed consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other
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