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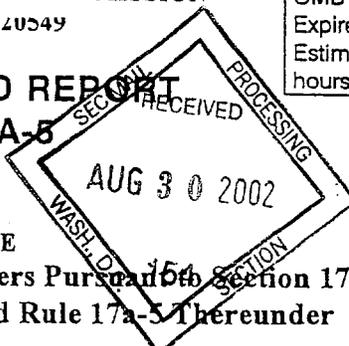


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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



SEC FILE NUMBER  
8. 34052

FACING PAGE  
**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 07/01/01 AND ENDING 06/30/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Allied Asset Management, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
2033 6th Avenue, Suite 1009

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)

Seattle

WA

98121-2527

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
David Eskenazi (206)441-1900  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Dewar Meeks + Ekrem PC

(Name - if individual, state last, first, middle name)

110 James Street, Suite 100

Edmonds

WA

98020

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**PROCESSED**  
SEP 11 2002  
THOMSON  
FINANCIAL

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02) Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

PS  
9/1/02

OATH OR AFFIRMATION

I, David Eskenazi, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Allied Asset Management, Inc., as of June 30, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

David Eskenazi  
Signature  
President  
Title

Robert J. Jura 8-26-02  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) ~~Statement of Financial Condition.~~ Balance Sheet
- (c) Statement of Income (Loss).
- (d) ~~Statement of Changes in Financial Condition.~~ Statement of Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- x (o) Report of Independent Auditors on Internal Control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**ALLIED ASSET MANAGEMENT, INC.**

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**Annual Audited Report**

**June 30, 2002**

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REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Allied Asset Management, Inc.  
Seattle, Washington

We have audited the accompanying balance sheet of Allied Asset Management, Inc. as of June 30, 2002, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allied Asset Management, Inc. as of June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Dewar Meeks + Ekrem PC*

Certified Public Accountants

July 19, 2002

DEWAR MEEKS + EKREM PC  
Certified Public Accountants  
110 James Street, Suite 100  
Edmonds, WA 98020  
T 425.640.8660  
F 425.640.8665  
www.dme CPA.com

**Financial Statements**  
**and**  
**Report of Independent Auditors**

ALLIED ASSET MANAGEMENT, INC.

BALANCE SHEET  
June 30, 2002

ASSETS

CURRENT ASSETS:

Cash		\$	36,511
Commissions receivable			25,819
Prepaid assets			<u>7,200</u>
Total current assets			69,530

PROPERTY AND EQUIPMENT, at cost:

Furniture and fixtures	\$	3,806	
Less accumulated depreciation		<u>3,567</u>	<u>239</u>
	\$		<u><u>69,769</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accrued wages		\$	35,698
Accrued liabilities			16,742
Federal income taxes payable			<u>16</u>
Total current liabilities			52,456

STOCKHOLDERS' EQUITY:

Common stock, \$1 par value; 50,000 shares authorized; 500 shares issued and outstanding	\$	500	
Additional paid-in capital		1,000	
Retained earnings		<u>15,813</u>	<u>17,313</u>
	\$		<u><u>69,769</u></u>

See accountants' audit report and notes to financial statements.

ALLIED ASSET MANAGEMENT, INC.

STATEMENT OF INCOME  
For the year ended June 30, 2002

		%
<b>REVENUES:</b>		
Commissions	\$ 263,525	100.0
Interest	325	0.1
	<u>263,850</u>	<u>100.1</u>
<b>EXPENSES:</b>		
Bank charges	81	0.0
Depreciation	179	0.1
Dues and subscriptions	2,490	0.9
Employee benefits	4,195	1.6
Insurance	19	0.0
Licenses	1,670	0.6
Miscellaneous	361	0.1
Office expense	2,916	1.1
Postage and delivery	2,797	1.1
Professional fees	11,787	4.5
Rent and parking	20,599	7.8
Salary - officer	197,877	75.1
Taxes - business	4,801	1.8
Taxes - payroll	8,353	3.2
Telephone	5,687	2.2
	<u>263,812</u>	<u>100.1</u>
<b>INCOME BEFORE FEDERAL INCOME TAX</b>	<b>38</b>	<b>0.0</b>
<b>FEDERAL INCOME TAX EXPENSE</b>	<u><b>38</b></u>	<u><b>0.0</b></u>
<b>NET INCOME</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>0.0</b></u></u>

See accountants' audit report and notes to financial statements.

ALLIED ASSET MANAGEMENT, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
For the year ended June 30, 2002

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE - June 30, 2001	\$ 500	\$ 1,000	\$ 15,813	\$ 17,313
Net income	-	-	-	-
BALANCE - June 30, 2002	<u>\$ 500</u>	<u>\$ 1,000</u>	<u>\$ 15,813</u>	<u>\$ 17,313</u>

See accountants' audit report and notes to financial statements.

ALLIED ASSET MANAGEMENT, INC.

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STATEMENT OF CASH FLOWS  
For the year ended June 30, 2002

INCREASE (DECREASE) IN CASH:	
Cash flows from operating activities -	
Net income	\$ -
Adjustments to reconcile net income to net cash provided by operating activities -	
Depreciation	179
(Increase) decrease in commissions receivable	1,586
Increase (decrease) in accrued wages	(1,523)
Increase (decrease) in accrued liabilities	(17,351)
Increase (decrease) in federal income taxes payable	(130)
	<hr/>
NET INCREASE (DECREASE) IN CASH	(17,239)
CASH AND CASH EQUIVALENTS, beginning of year	<hr/> 53,750
CASH AND CASH EQUIVALENTS, end of year	\$ <hr/> <hr/> 36,511

See accountants' audit report and notes to financial statements.

ALLIED ASSET MANAGEMENT, INC.

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NOTES TO FINANCIAL STATEMENTS  
June 30, 2002

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES:

Organization and purpose -

The Company was incorporated on February 15, 1984 and operates as an investment brokerage house. The Company does not hold customer funds or securities in its own accounts. All customer funds received are immediately remitted to the appropriate investment or insurance company. The Company has one employee. This employee is responsible for all accounting functions, including writing checks, making bank deposits, and recording daily sales activity.

Commissions receivable -

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. The Company utilizes the direct write-off method of accounting for bad debts. In the opinion of management, no allowance for doubtful accounts is required.

Depreciation -

Depreciation has been provided using the straight-line method. The estimated useful life of depreciable assets is 5 to 7 years.

Pension plan -

The Company has a pension plan which is based on Section 408(k) of the Internal Revenue Code. It is the Company's intent to make discretionary contributions limited to the lesser of 15% of each eligible employee's compensation or \$35,000. The company made no contribution during the year ended June 30, 2002.

Federal income tax -

The Company uses accelerated methods of depreciation for federal income tax purposes. No deferred federal income taxes have been provided because the amount is not material. Cash paid for federal income taxes for the year ended June 30, 2002 was \$168.

Statement of cash flows -

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash paid for interest expense for the year ended June 30, 2002 was \$0.

Estimates -

These financial statements include estimates made by management.

ALLIED ASSET MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2002

NOTE 2. COMMITMENTS AND CONTINGENCIES:

The Company is currently negotiating a lease for rent and parking (Note 3) which expired on August 31, 2001. The Company is currently renting this space on a month to month basis at \$1,968 per month.

NOTE 3. RELATED PARTY TRANSACTIONS:

The Company and its affiliate, AAM Insurance, Inc., have common ownership and management and share the same office. Common expenses such as rent, office supplies, and telephone are allocated based on the relative revenues of the combined companies. The Company acts as the common paymaster for the payroll and payroll taxes for the combined companies and then divides the expense using the relative revenues of the combined companies as a guide. Amount due to the affiliate at June 30, 2002 totaled \$15,606, and is included in accrued liabilities.

NOTE 4. NET CAPITAL REQUIREMENTS:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). The Company's net capital ratio was 2 to 1.

NOTE 5. COMPUTATION OF NET CAPITAL:

Net capital pursuant to Rule 15c3-1 is computed as follows at June 30, 2002:

Stockholders' equity	\$17,313
Less: Non allowable assets	
Net fixed assets	<u>239</u>
Net capital before haircuts on securities	17,074
Haircuts on securities: other securities	<u>7,200</u>
Net capital	9,874
Required net capital	<u>5,000</u>
Excess net capital	<u>\$ 4,874</u>

ALLIED ASSET MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2002

NOTE 6. RECONCILIATION TO JUNE 30, 2002 FOCUS REPORT:

Net capital per unaudited FOCUS report at June 30, 2002	\$ 9,874
Reconciling items:	
No adjustments made	-
Net capital as adjusted	<u>\$ 9,874</u>

NOTE 7. STATEMENTS AND SCHEDULES NOT FILED:

The following statements and schedules have not been filed for the reasons noted:

Statement of Changes in Liabilities Subordinated to Claims of General Creditors -

- The Company has no liabilities subordinated to claims of general creditors.

Computation of Reserve Requirements pursuant to Rule 15c3-3 and Information  
Relating to Possession or Control Requirements under Rule 15c3-3 -

- Not applicable because the Company does not hold customer funds or securities.

SIPC Supplemental Report Information -

- Not required because gross revenues are less than \$500,000.

## **Report on Internal Control**



## REPORT OF INDEPENDENT AUDITORS

**Board of Directors  
Allied Asset Management, Inc.**

In planning and performing our audit of the financial statements of Allied Asset Management, Inc. for the year ended June 30, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures followed by Allied Asset Management, Inc. that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3(e). Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examination, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Dewar Meeks & Ekrem PC*

Certified Public Accountants

July 19, 2002

DEWAR  
MEEKS  
+EKREM

**ALLIED ASSET MANAGEMENT, INC.**

**Annual Audited Report**

**June 30, 2002**