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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-5108

REC'D S.E.C.
FEB 28 2002

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 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

G.L.S. & ASSOCIATES, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

200 CLINTON AVE; SUITE 707

FIRM ID. NO.

(No. and Street)

HUNTSVILLE

ALABAMA

35801

PROCESSED

(City)

(State)

(Zip Code)

APR 22 2002

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

GREGORY SMITH

(256) 539-4805

THOMSON FINANCIAL

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BYRD, SMALLEY, EVANS & ADAMS, P.C.

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

P.O. BOX 2179

DECATUR

ALABAMA

35602-2179

(Address)

(City)

(State)

Zip Code

CHECK ONE:

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

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 (3-91)

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OATH OR AFFIRMATION

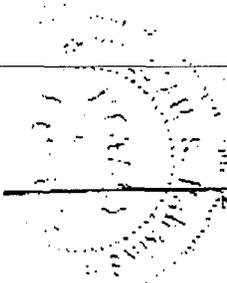
I, GREGORY L. SMITH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of G.L.S. & ASSOCIATES, INC, as of DECEMBER 31, 2001, ~~XFX~~, are true and correct. I further swear (or affirm) that neither the company 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:

Gregory L. Smith

 Signature

PRESIDENT

 Title



William S. Hawkins

 Notary Public
 expires 8-13-2003

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 15c3-1 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.

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

To the Board of Directors
G.L.S. & Associates, Inc.
Huntsville, Alabama

We have audited the accompanying statements of financial condition of G.L.S. & Associates, Inc. as of December 31, 2001 and 2000, and the related statements of income and changes in financial condition and the statement of cash flows for the years then ended. 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 audits provide 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 G.L.S. & Associates, Inc. as of December 31, 2001 and 2000, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Byrd, Smalley, Evans, Adams & Johnson, A.C.

February 8, 2002

G.L.S. & Associates, Inc.
STATEMENT OF FINANCIAL CONDITION
December 31, 2001 and 2000

| | <u>2001</u> | <u>2000</u> |
|--|--------------------------|--------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 39,803 | \$ 11,591 |
| Accounts receivable | <u>71,086</u> | <u>83,485</u> |
| Total Current Assets | <u>110,889</u> | <u>95,076</u> |
| Fixed Assets | | |
| Equipment, net of depreciation | <u>11,892</u> | <u>12,900</u> |
| Other Assets | | |
| Security deposit | 6,123 | - |
| Shareholder receivable | 1,000 | 1,000 |
| Investments | <u>1,100</u> | <u>1,100</u> |
| Total Other Assets | <u>8,223</u> | <u>2,100</u> |
| TOTAL ASSETS | <u><u>\$ 131,004</u></u> | <u><u>\$ 110,076</u></u> |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Payable to brokers | \$ 43,363 | \$ 50,926 |
| Accounts payable and accrued liabilities | <u>40,842</u> | <u>10,357</u> |
| Total Current Liabilities | <u>84,205</u> | <u>61,283</u> |
| Equity | | |
| Common stock | 1,000 | 1,000 |
| Retained earnings | <u>45,799</u> | <u>47,793</u> |
| Total Equity | <u>46,799</u> | <u>48,793</u> |
| TOTAL LIABILITIES AND EQUITY | <u><u>\$ 131,004</u></u> | <u><u>\$ 110,076</u></u> |

The accompanying notes are an integral part of these financial statements.