



03012303



CM

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

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

FACING PAGE

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

T3/4

OMB APPROVAL OMB Number: 3235-0123 Expires: October 31, 2004 Estimated average burden hours per response . . . 12.00

SEC FILE NUMBER 8 - 27287

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Harger and Company, Inc.

OFFICIAL USE ONLY FIRM ID. NO.

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

8048 One Calais Ave, Suite D

(No. and Street)

Baton Rouge (City)

Louisiana (State)

70809 (Zip Code)

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

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Phillip V. George, PLLC

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

2300 Honey Locust Drive (Address)

Irving (City)

Texas (State)

75063 (Zip Code)

CHECK ONE:

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

PROCESSED MAR 13 2003

FOR OFFICIAL USE ONLY THOMSON FINANCIAL

*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.

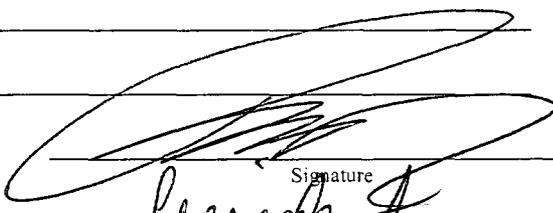
T3/12

OATH OR AFFIRMATION

I, Robert Harger, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Harger and Company, Inc., as of December 31, 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:

NONE

Thomas C. Damico
Notary Public


Signature
President
Title

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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.
- (o) Independent auditor's report on the internal control as required by SEC rule 17a-5.

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

HARGER AND COMPANY, INC.

FINANCIAL REPORT

DECEMBER 31, 2002

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
------------------------------	---

FINANCIAL STATEMENTS	
Statement of financial condition	2
Statement of income	3
Statement of changes in stockholder's equity	4
Statement of cash flows	5
Notes to financial statements	6 - 9

SUPPLEMENTARY SCHEDULES	
1. Computation of net capital and aggregate indebtedness pursuant to Rule 15c3-1	10
2. Reconciliation of the computation of net capital with that of the registrant as filed in Part IIA of Form X-17a-5	11

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	12 - 13
---	---------

PHILLIP V. GEORGE, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

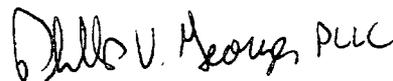
Board of Directors
Harger and Company, Inc.

We have audited the accompanying statement of financial condition of Harger and Company, Inc. as of December 31, 2002, and the related statements of income, stockholder's 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 Harger and Company, Inc. as of December 31, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. 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.



PHILLIP V. GEORGE, PLLC

Irving, Texas
January 27, 2003

HARGER AND COMPANY, INC.
Statement of Financial Condition
December 31, 2002

ASSETS

Cash	\$ 14,016
Commissions receivable	30,629
Receivable from Parent	52,146
Clearing deposits	45,191
Marketable securities	3,000
Property and equipment, net of accumulated depreciation of \$1,483	13,284

TOTAL ASSETS	\$ 158,266
---------------------	-------------------

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Bank overdraft	\$ 3,173
Management fees payable to Parent	16,334
Accrued expenses	37,296
Income taxes payable	169

TOTAL LIABILITIES	56,972
-------------------	--------

Stockholder's Equity

Common stock, 10,000 shares authorized of no par value, 86 shares issued and 46 shares outstanding	26,000
Additional paid-in capital	20,300
Retained earnings	90,240

Treasury stock, 40 shares at cost	(35,246)
-----------------------------------	----------

TOTAL STOCKHOLDER'S EQUITY	101,294
----------------------------	---------

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 158,266
---	-------------------

HARGER AND COMPANY, INC.
Statement of Income
Year Ended December 31, 2002

Revenue

Securities commissions	\$ 14,927
Revenue from the sale of investment company shares	157,172
Investment advisory fees	132,340
Insurance commissions	633,712
Other revenue	<u>24,649</u>
 TOTAL REVENUE	 <u>962,800</u>

Expenses

Compensation and related costs	292,654
Clearing charges	11,546
Communications	1,574
Occupancy and equipment costs	12,209
Losses in error account and bad debts	2,323
Regulatory fees and expenses	2,505
Management fees to Parent	487,325
Other expenses	<u>152,664</u>
 TOTAL EXPENSES	 <u>962,800</u>

Net income before provision for income tax	-
 Provision for income tax	 <u>169</u>
 NET LOSS	 <u><u>\$ (169)</u></u>

HARGER AND COMPANY, INC.
Statement of Changes in Stockholder's Equity
Year Ended December 31, 2002

	<u>Common Shares Outstanding</u>	<u>Treasury Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balances at December 31, 2001	46	40	\$ 26,000	\$ 20,300	\$ 90,409	\$ (35,246)	\$ 101,463
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169)</u>	<u>-</u>	<u>(169)</u>
Balances at December 31, 2002	<u>46</u>	<u>40</u>	<u>\$ 26,000</u>	<u>\$ 20,300</u>	<u>\$ 90,240</u>	<u>\$ (35,246)</u>	<u>\$ 101,294</u>

HARGER AND COMPANY, INC.
Statement of Cash Flows
Year Ended December 31, 2002

Cash flows from operating activities:

Net loss	\$ (169)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	283
Unrealized loss on marketable securities	300
Change in assets and liabilities	
Decrease in commissions receivable	10,223
Increase in receivable from Parent	(52,146)
Decrease in income taxes receivable	3,557
Increase in clearing deposits	(102)
Increase in bank overdraft	3,173
Increase in management fee payable to Parent	16,334
Increase in accrued expenses	23,494
Increase in income taxes payable	169
	5,116
Net cash provided by operating activities	5,116

Cash flows from investing activities:

Purchase of property and equipment	(13,567)
	(13,567)
Net decrease in cash	(8,451)
Cash at beginning of year	22,467
	22,467
Cash at end of year	\$ 14,016

Non-Cash Investing Activities:

Non-marketable securities owned by the Company with a cost totaling \$3,300 become marketable during the year (See Note 4).

Supplemental Disclosures of Cash Flow Information:

There was no cash paid during the year for interest or income taxes.

HARGER AND COMPANY, INC.
Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies

Nature of Business:

Harger and Company, Inc. (the Company) was organized in January 1981 as a Louisiana corporation. The Company is a wholly-owned subsidiary of R.L. Harger and Associates, Inc. (Parent). The Company is a broker/dealer in securities registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company is registered as an investment advisor with the state of Louisiana. The majority of the Company's customers are individuals located throughout the state of Louisiana. The Company's primary source of revenue is from insurance commissions from the sale of variable annuity products.

Significant Accounting Policies:

Basis of Accounting

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmit all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Marketable Securities

Marketable securities are held for investment purposes and are carried at fair value. The increase or decrease in fair value is credited or charged to operations.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using accelerated methods over estimated useful lives of five to seven years.

HARGER AND COMPANY, INC.
Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Treasury Stock

Treasury stock is accounted for using the cost method.

Security Transactions

Security transactions and the related commission revenue and expense are recorded on a trade date basis.

Insurance Commissions

Insurance commissions are recorded when the policies are funded by the customer.

Investment Advisory Fees

Investment advisory fees are earned based on contractual percentages of client assets under management. The fees are billed quarterly in arrears.

Note 2 - Transactions with Clearing Broker/Dealers

The agreements with the clearing broker/dealers provide for clearing charges at a fixed rate multiplied by the number of tickets traded by the Company. The agreements also require the Company to maintain a minimum of \$45,000 as deposits in accounts with the clearing broker/dealers.

Note 3 - Net Capital Requirements

The Company is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2002, the Company had net capital and net capital requirements of \$15,777 and \$5,000, respectively. The Company's net capital ratio was 3.6 to 1.

Note 4 - Marketable Securities

The Company's marketable securities consist of 300 shares of common stock of the Nasdaq Stock Market, Inc. with a market value of \$3,000, cost of \$3,300 and accumulated unrealized losses of \$300. The unrealized loss for the year ended December 31, 2002 was \$300.

HARGER AND COMPANY, INC.
Notes to Financial Statements

Note 5 - Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and consists of the following:

Furniture and fixtures	\$ 13,567
Equipment	<u>1,200</u>
	14,767
Accumulated depreciation	<u>(1,483)</u>
	<u>\$ 13,284</u>

Depreciation expense for the year was \$283 and is reflected in the accompanying statement of income as occupancy and equipment costs.

Note 6 - Related Party Transactions

The Company and its Parent are under common control and the existence of that control creates a financial position and operating results significantly different than if the companies were autonomous.

Under a Management Agreement effective September 25, 2002, the Parent provides the Company with support staff, office space, equipment and telecommunications services and incurs general and administrative expenses for the benefit of the Company. Monthly fees for such services are the lesser of \$40,000 or monthly net income before the management fee. The Agreement allows the Parent to waive any such portion of the monthly fees in order for the Company to remain in compliance with the minimum net capital requirements (See Note 3). The Agreement states that all monthly fees waived are not to be payable and may not be added to future assessments. The total management fees incurred under this and prior agreements during 2002 totaled \$487,325, of which \$16,334 is payable at December 31, 2002. The Agreement and prior agreements were not consummated on terms equivalent to arms length transactions.

The Company has \$52,146 in insurance commissions receivable from the Parent at December 31, 2002.

Note 7 - Retirement Plan

The Company adopted a SIMPLE IRA (Plan) effective March 31, 1999. The Company and eligible employees may contribute to the Plan. For any year, an employee will be eligible to participate in the Plan provided the employee is expected to receive at least \$5,000 in compensation during the year and has received at least \$5,000 in compensation during any two prior years. The Company will contribute matching contributions equal to the elective deferral of each employee, but not more 3% of the individual employee's compensation, up to \$6,000. There were no matching contributions made by the Company for 2002.

HARGER AND COMPANY, INC.
Notes to Financial Statements

Note 8 - Off-Balance-Sheet Risk and Concentration of Credit Risk

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker/dealers. The clearing broker/dealers carry all of the accounts of the customers of the Company and are responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealers may charge any losses they incur to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker/dealers.

Note 9 - Contingency

The Company settled a claim from a customer relating to its activities as a broker dealer in securities in February 2003 for approximately \$32,500. A provision for this amount has been made in the financial statements and is included in accrued expenses in the accompanying statement of financial condition.

Schedule I

HARGER AND COMPANY, INC. Computation of Net Capital and Aggregate Indebtedness Pursuant to Rule 15c3-1 December 31, 2002

Total stockholder's equity qualified for net capital	<u>\$ 101,294</u>
Deductions and/or charges	
Non-allowable assets:	
Commissions receivable	19,446
Receivable from Parent	52,146
Clearing deposits	191
Property and equipment	<u>13,284</u>
Total deductions and/or charges	<u>85,067</u>
Net capital before haircuts on securities positions	16,227
Haircuts on securities:	
Marketable securities	<u>450</u>
Net Capital	<u><u>\$ 15,777</u></u>
Aggregate indebtedness	
Bank overdraft	\$ 3,173
Management fees payable to Parent	16,334
Accrued expenses	37,296
Income taxes payable	<u>169</u>
Total aggregate indebtedness	<u><u>\$ 56,972</u></u>
Computation of basic net capital requirement	
Minimum net capital required (greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 5,000</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 10,777</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>3.6 to 1</u></u>

Schedule II

HARGER AND COMPANY, INC.
Reconciliation of the Computation of Net Capital
with that of the Registrant as
Filed in Part IIA of Form X-17a-5
As of December 31, 2002

Net capital as reported by Registrant in Part IIA of Form X-17a-5 as of December 31, 2002 (unaudited)	40,656
Audit adjustments:	
Reclassification of non-marketable to marketable securities	3,000
Decrease in management fees payable to Parent	5,240
Increase in accrued expenses	(32,500)
Increase in income taxes payable	(169)
Increase in haircuts on securities	(450)
Net capital as computed on Schedule I	<u>\$ 15,777</u>

PHILLIP V. GEORGE, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL

Board of Directors
Harger and Company, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Harger and Company, Inc. (the Company) for the year ended December 31, 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 that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. 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 examinations, 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 preparation of financial statements in accordance 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 December 31, 2002 to meet the SEC's objectives.

This report is intended solely for use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. 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.



PHILLIP V. GEORGE, PLLC

Irving, Texas
January 27, 2003