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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SD  
3/5/03

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

SEC FILE NUMBER
8- 65251

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 2/5/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

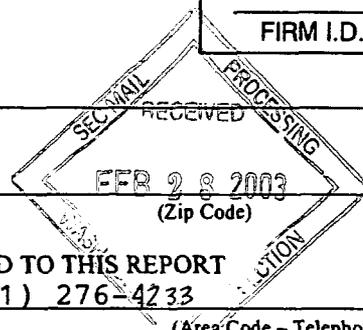
NAME OF BROKER-DEALER: The Alternative Investment Group, Inc. OFFICIAL USE ONLY

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

1801 S. Federal Highway, Suite 245C  
(No. and Street)

Delray Beach, Florida 33483  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Geoffrey D. Liddy (561) 276-4233  
(Area Code - Telephone Number)



**B. ACCOUNTANT IDENTIFICATION**

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

Baum & Company, P.A.  
(Name - if individual, state last, first, middle name)

1515 University Drive, Suite 209 Coral Springs, FL 33071  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**  
MAR 18 2003  
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)

SD 3/5/03

OATH OR AFFIRMATION

I, Geoffrey D. Liddy, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Alternative Investment Group, 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:

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

Geoffrey D. Liddy  
Signature

President  
Title

Laura L. Keiter  
Notary Public



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 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.

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

**THE ALTERNATIVE INVESTMENT GROUP, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2002**

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***BAUM & COMPANY, P.A.***  
**Certified Public Accountants**  
**1515 University Drive - Suite 209**  
**Coral Springs, Florida 33071**  
**(954) 752-1712**

**INDEPENDENT AUDITOR'S REPORT**

The Alternative Investment Group, Inc.  
Delray Beach, Florida

We have audited the accompanying balance sheet of The Alternative Investment Group, Inc. as of December 31, 2002 and the related statement of operations, cash flows, and statements of changes in stockholder's equity for the period commencing February 5, 2002 to December 31, 2002. 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 audits 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 condition of The Alternative Investment Group, Inc. and the results of its operations and the related statement of income and accumulated deficit, cash flows, and statements of changes in stockholders' equity for the period commencing February 5, 2002 to December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

My examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented on the statement of computation of minimum capital requirements is not a required part of the financial statements, but in supplementary information required by the Commodity Exchange Act. Such information has been subjected to the auditing procedures applied to the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

February 25, 2003  
Coral Springs, Florida

*Baum & Company, P.A.*

**THE ALTERNATIVE INVESTMENT GROUP, INC**  
**BALANCE SHEET**  
**DECEMBER 31, 2002**

**ASSETS**

Current Assets	
Cash in bank and cash equivalents	<u>\$ 7,109</u>
 Total Assets	 <u>\$ 7,109</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Current Liabilities	
Loan Payable - Stockholder	\$ 136
Accounts Payable	<u>279</u>
 Total Liabilities	 <u>415</u>
 Stockholder's Equity	
Common Stock, par value \$.01; 10,000 shares authorized, 1,500 shares issued and outstanding	15
Additional paid-in-capital	14,985
Accumulated Deficit	<u>( 8,306)</u>
 Total Stockholder's Equity	 <u>6,694</u>
 Total Liabilities and Stockholder's Equity	 <u>\$ 7,109</u>

See accompanying notes to financial statements.

**THE ALTERNATIVE INVESTMENT GROUP, INC**  
**STATEMENT OF OPERATIONS**  
**FOR THE PERIOD COMMENCING FEBUARY 5, 2002 TO DECEMBER 31, 2002**

Revenues	\$ - 0 -
Operating Expenses	<u>8,368</u>
Net (Loss) Before Other Income	(8,368 )
Other Income	
Interest Income	<u>62</u>
Net Income(Loss)	<u>\$(8,306)</u>

See accompanying notes to financial statements.

**THE ALTERNATIVE INVESTMENT GROUP, INC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD COMMENCING FEBRUARY 5, 2002 TO DECEMBER 31, 2002**

Cash Flows from Operating Activities:

Net Income(Loss) \$ (8,306)

Adjustment to reconcile net income (loss)  
to net cash provided by operating activities:

Increase in accounts payable 279

Net Cash provided (used) by Operating Activities (8,027)

Cash Flows from Financing Activities

Increase in stockholder loan 136

Proceeds from sale of stock 15,000

Total cash flows from financing activities 15,136

Net increase in cash 7,109

Cash and Cash Equivalents - beginning - 0 -

Cash and Cash Equivalents - ending \$ 7,109

See accompanying notes to financial statements.

**THE ALTERNATIVE INVESTMENT GROUP, INC**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**YEAR ENDED DECEMBER 31, 2002**

	<u>Common Stock</u>	<u>Additional Paid In Capital</u>	<u>Accumulated Deficit</u>
Balance - inception	- 0 -	- 0 -	- 0 -
Capital Contribution	15	14,985	- 0 -
Net Loss	<u>- 0 -</u>	<u>-0-</u>	<u>( 8,306)</u>
Balance - 12/31/02	<u>\$ 15</u>	<u>\$14,985</u>	<u>\$(8,306)</u>

**THE ALTERNATIVE INVESTMENT GROUP, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

**NOTE 1**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.)**     **Nature of Business**

The Company was incorporated on February 5, 2002 in the State of Florida. The Company has registered with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. as a broker/dealer. Consequently, its record keeping is in accordance with rules and regulations prescribed by these agencies.

**B.)**     **Cash Equivalents**

For purposes of reporting cash flows, and cash and cash equivalents includes money market accounts and certificated of deposits and any highly liquid debt instruments purchased with a maturity of six months or less.

**C.)**     **Organization Costs**

Organization cost are amortized over sixty months.

**D.)**     **Income Taxes**

The Company has made an election to be treated as an S Corporation under the Federal Income tax laws. Accordingly, the income of the Company is taxed directly to its stockholder. Therefore, no provision for income taxes has been made in the financial statements.

**E.)**     **Management 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 assets and liabilities at December 31, 2002 and revenues and expenses for the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

**NOTE 2**     **RESTRICTIVE COVENANTS**

The National Association of Securities Dealers, Inc. imposes certain restrictions on the Company, the most significant of which are to maintain a minimum net capital of \$ 5,000 and aggregate indebtedness, as defined, which does not exceed fifteen times net capital, as defined.

**THE ALTERNATIVE INVESTMENT GROUP, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

**NOTE 3**     **SECURITIES AND EXCHANGE REQUIREMENTS**

The statement of changes in liabilities subordinated to claims of general creditors has been omitted as the Company has no such liabilities.

**NOTE 4**     **COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k) of that Rule.

**NOTE 5**     **COMMITMENTS**

The Company entered a lease for its new office facilities commencing March 1, 2003 for a period of one year. The future rent expense for 2003 will be \$ 14,877.

**THE ALTERNATIVE INVESTMENT GROUP, INC.**  
**Supplemental Information**  
**STATEMENT OF COMPUTATION OF MINIMUM CAPITAL REQUIREMENTS**  
**DECEMBER 31, 2002**

Total assets	\$ 7,109
Less:Liabilities	<u>415</u>
Net Capital	6,694
Charges against capital	
Non Allowable Assets	- 0 -
Other charges	<u>- 0 -</u>
	- 0 -
Adjusted Net Capital	6,694
Net Capital Required	<u>5,000</u>
Excess in Capital	<u>\$ 1,694</u>

**THE ALTERNATIVE INVESTMENT GROUP, INC.**  
**RECONCILIATION OF NET CAPITAL**  
**DECEMBER 31, 2002**

Net capital per audited Financial Statements	\$ 6,694
Net capital per Focus Report – Part 11A	<u>6,632</u>
Net Difference	\$ 62

Net difference attributed to accrued interest income on certificate of deposit

**BAUM & COMPANY, P.A.**  
**Certified Public Accountants**  
**1515 University Drive - Suite 209**  
**Coral Springs, Florida 33071**  
**(954) 752-1712**

The Alternative Investment Group, Inc.  
Delray Beach, Florida

We have examined the financial statements of The Alternative Investment Group, Inc. as of December 31, 2002 and have issued our report there on dated February 25, 2003. As part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and by Rule 17a-5 contemplates that the scope of the review and tests should be sufficient to provide reasonable assurance that any material weakness existing at the date of our examination would be disclosed. Under these standards and that Rule the purposes of such evaluation are to establish a basis for reliance thereon in determining the nature, timing, and extend if other auditing procedures that are necessary for expressing an opinion on the financial statements and to provide a basis for reporting material weaknesses internal accounting control.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that the cost of a system of internal accounting control should not exceed the benefits derived and also recognized tat the evaluation of these factors necessarily requires estimates and judgements by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness, or other personal factors.

Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgements required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period commencing February 5, 2002 to December 31, 2002, was made for the purposes set forth in the first paragraph above and would not necessarily disclose all weaknesses in the system which may have existed during the period under review, disclosed no weaknesses that I believe to be material.

Coral Springs, Florida  
February 25, 2003