

SO
3-16-04



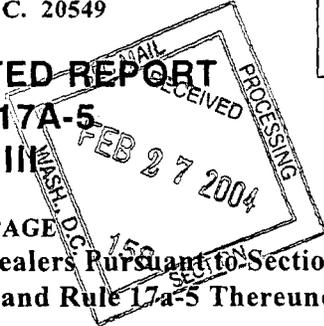
04001725

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

UF 3-4-04

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

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



SEC FILE NUMBER
8-41206

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 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

The Tavenner Company
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
4910 Mechanicsburg Road

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Springfield, Ohio 45502

(City)

(State)

(Zip Code)

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

William Tavenner **1-800-453-6922**

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Clark, Schaefer, Hackett & Co.

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

2525 North Limestone Street, Springfield, Ohio 45503

(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 24 2004

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)

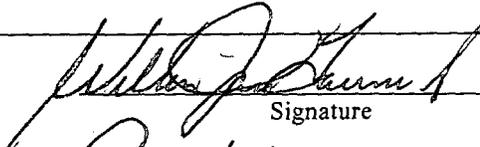
SEC 1410 (06-02)

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.

Handwritten initials/signature

OATH OR AFFIRMATION

I, William Tavenner, 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 Tavenner Company, as of December 31, 2003, 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:


Signature
President
Title


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.
 - (o) Independent auditor's report on internal controls.

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

THE TAVENNER COMPANY

Financial Statements

December 31, 2003 and 2002

with

Independent Auditors' Report

THE TAVENNER COMPANY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Condition	2
Statements of Operations	3
Statements of Changes in Stockholder's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-7
Supplementary Information:	
Schedule of Net Capital	8
Independent Auditors' Report on Internal Control	9-10

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Trustees
The Tavenner Company
Springfield, Ohio

We have audited the accompanying statements of financial condition of The Tavenner Company (the Company) as of December 31, 2003 and 2002 and the related statements of operations, changes in stockholder's equity and 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 audits.

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 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 the Company as of December 31, 2003 and 2002 and the results of its operations and cash flows for the years 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 on pages 8-10 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.

Clark, Schaefer, Hackett & Co.
Springfield, Ohio
February 16, 2004

THE TAVENNER COMPANY
Statements of Financial Condition
December 31, 2003 and 2002

	<u>Assets</u>	
	2003	2002
Current assets:		
Cash	\$ 14,828	843
Commission receivable	25,364	18,006
Other receivable, from related party	3,140	3,140
Total current assets	43,332	21,989
Non-current assets:		
Furniture and fixtures	8,728	8,728
Accumulated depreciation	(5,795)	(3,870)
	2,933	4,858
Certificate of deposit	7,279	7,058
Total non-current assets	10,212	11,916
Total assets	\$ 53,544	33,905
	<u>Liabilities and Stockholder's Equity</u>	
Current liabilities:		
Accrued liabilities	\$ 23,753	15,615
Stockholder's equity:		
Common stock, no par value; authorized 750 shares, 100 shares issued and outstanding	200	200
Additional paid-in capital	18,115	18,115
Retained earnings (accumulated deficit)	11,476	(25)
Total stockholder's equity	29,791	18,290
Total liabilities and stockholder's equity	\$ 53,544	33,905

See accompanying notes to the financial statements.

THE TAVENNER COMPANY
 Statements of Operations
 For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenue:		
Commissions	\$ 491,108	317,609
Interest	<u>221</u>	<u>709</u>
Total revenue	<u>491,329</u>	<u>318,318</u>
Expenses:		
Commissions	396,721	258,781
Insurance	14,461	12,558
Professional fees	17,850	10,716
License and registration	128	10,638
Regulatory fees	3,682	3,960
Errors and omissions	2,336	2,612
Other office expenses	417	2,526
Advertising	2,312	2,122
Meetings	30	1,265
Travel	478	1,148
Depreciation	1,925	3,870
Office supplies	2,872	330
Postage	2,525	-
Contract labor	12,159	-
Rent	15,000	-
Dues and subscriptions	250	315
Telephone	2,940	-
Utilities	3,576	226
Miscellaneous	<u>166</u>	<u>779</u>
Total expenses	<u>479,828</u>	<u>311,846</u>
Net income	\$ <u>11,501</u>	<u>6,472</u>

See accompanying notes to the financial statements.

THE TAVENNER COMPANY
 Statements of Changes in Stockholder's Equity
 For the Years Ended December 31, 2003 and 2002

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total Stockholder's Equity</u>
Balance at January 1, 2002	\$ 200	18,115	(6,497)	11,818
Net income	<u>-</u>	<u>-</u>	<u>6,472</u>	<u>6,472</u>
Balance at December 31, 2002	200	18,115	(25)	18,290
Net income	<u>-</u>	<u>-</u>	<u>11,501</u>	<u>11,501</u>
Balance at December 31, 2003	\$ <u>200</u>	<u>18,115</u>	<u>11,476</u>	<u>29,791</u>

See accompanying notes to the financial statements.

THE TAVENNER COMPANY
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net income	\$ 11,501	6,472
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,925	3,870
Effects of changes in operating assets and liabilities:		
Commission receivable	(7,358)	(15,903)
Accrued and withheld liabilities	<u>8,138</u>	<u>14,878</u>
Cash flow provided by operating activities	<u>14,206</u>	<u>9,317</u>
Cash flows used by investing activities:		
Purchase of furniture and fixtures	-	(8,728)
Certificate of deposit redeemed	-	6,553
Certificate of deposit acquired and interest retained	<u>(221)</u>	<u>(7,058)</u>
Cash flow used by investing activities	(221)	(9,233)
Increase in cash	13,985	84
Cash, beginning of year	<u>843</u>	<u>759</u>
Cash, end of year	\$ <u>14,828</u>	<u>843</u>
<u>Supplemental disclosures:</u>		
Cash paid for:		
Interest	\$ <u>-</u>	<u>-</u>
Taxes	\$ <u>-</u>	<u>-</u>

See accompanying notes to the financial statements.

THE TAVENNER COMPANY
Notes to the Financial Statements
December 31, 2003 and 2002

1. Summary of Significant Accounting Policies:

The following accounting principles and practices of the Company are set forth to facilitate the understanding of data presented in the financial statements:

Method of accounting

The Company utilizes the accrual basis method of accounting.

Cash

For the purpose of financial statement reporting, the Company considers amounts on hand and in demand deposits and certificates of deposit with original maturities of three months or less to be cash.

Use of estimates

Financial statements prepared in conformity with accounting principles generally accepted in the United States of Ohio requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property, equipment and depreciation

Property and equipment are recorded at cost. Depreciation is provided on the double declining balance method over the estimated useful lives of the respective assets.

2. Operations:

The Company is a registered broker/dealer engaged primarily in selling mutual funds and variable life products. Customers' securities transactions are recorded on a settlement date basis and the related commission revenues and expenses are accrued on a trade date basis.

All securities transactions are carried on a fully disclosed basis.

The Company is exempt from special reserve requirements for brokers and dealers under rule 15c3-3 of the Securities and Exchange Commission. This exemption is claimed under Section (k)(2)(ii).

3. Federal Income Taxes:

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes. Rather, the shareholder is liable for the individual federal income taxes on his respective share of the Company's taxable income.

THE TAVENNER COMPANY
Notes to the Financial Statements
December 31, 2003 and 2002

4. Related Party Transactions:

During 1999 the Company invested \$3,140 in a newly formed Limited Liability Company. This interest has been sold during 2002 and the receivable amount is currently carried as other receivable, from a related party.

The company's sole stockholder also controls an insurance company. Certain administrative services, office space and equipment were provided to the Company for \$15,000 during 2003. No amount was charged to the Company during 2002.

5. Subordinated Liabilities:

The Company has not incurred any liabilities subordinated to general creditors as of December 31, 2003 and 2002. Therefore, no related reporting to regulatory agencies is required.

6. Net Capital Requirements:

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities and Exchange Commission. This rule, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital (both as defined) shall not exceed 15 to 1. 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. At December 31, 2003 and 2002 the Company had net capital of \$21,961 and \$7,760, which was \$16,961 and \$2,760 in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital ratio was 1.08 to 1.0 and 2.0 to 1.0 for 2003 and 2002 respectively.

THE TAVENNER COMPANY
Schedule of Net Capital Under Rule 15c3-1 of the
Securities and Exchange Commission
December 31, 2003

Net Capital:	
Total stockholder's equity	\$ 29,791
Deductions for non-allowable assets:	
Other receivable	(3,140)
Commission receivable	(1,611)
Fixed assets, net	(2,933)
Haircuts on securities	
Certificate of deposit (2%)	<u>(146)</u>
Net Capital	\$ <u>21,961</u>
Aggregate Indebtedness:	
Accrued expenses	\$ <u>23,753</u>
Total aggregate indebtedness	\$ <u>23,753</u>
Computation of Basic Net Capital Requirement:	
Minimum net capital requirements:	
Minimum dollar requirement	\$ <u>5,000</u>
Total requirement	\$ <u>5,000</u>
Excess Net Capital	16,961
Ratio: Aggregate indebtedness to net capital	1.08 to 1.0
Reconciliation with Company's Computation:	
Included in part IIA of Form X-17A-5 as of December 31, 2003	
Net capital per unaudited computation	\$ 22,079
Adjustment to reflect haircut on certificate of deposit	(118)
Adjustment to record accrued commission receivable	21,673
Adjustment to fixed assets, net	1,925
Adjustment to accrue additional commissions payable	(21,673)
Adjustment to record additional depreciation expense	<u>(1,925)</u>
Net capital per audited computation above	\$ <u>21,961</u>

Independent Auditors' Report on Internal Controls

Board of Directors
The Tavenner Company

In planning and performing our audit of the financial statements of The Tavenner Company (the Company), for the year ended December 31, 2003, 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 the 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e),
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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, and
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an 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 accordance with accounting principles generally accepted in the United States of America.

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, 2003 and 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, the NASD, 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.

Clark, Schaefer, Hackett & Co.
Springfield, Ohio
February 16, 2004