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

OMB APPROVAL  
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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 02/13/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: The Strategic Financial Alliance, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
3384 Peachtree Road, NE, Suite 900

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street) Atlanta GA 30326  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Clive Slovin (678) 274-1844  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Bennett Thrasher PC

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

3330 Cumberland Boulevard Atlanta GA 30339  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED  
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\*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)

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OATH OR AFFIRMATION

I, Clive Slovin, 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 Strategic Financial Alliance, Inc., 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:

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

Clive Slovin  
Signature

President  
Title

Sandra J. Hendleman  
Notary Public  
Notary Public, Henry County, Georgia  
My Commission Expires April 17, 2004

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).



*A Professional Corporation  
Certified Public Accountants  
& Consultants*

*3330 Cumberland Boulevard  
Suite 100  
Atlanta, Georgia 30339*

*P 770.396.2200  
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## **Independent Auditors' Report**

To the Board of Directors and Stockholder of  
The Strategic Financial Alliance, Inc.

We have audited the accompanying statement of financial condition of The Strategic Financial Alliance, Inc. (a wholly owned subsidiary of Reliance Advisory Holdings, Inc.) as of December 31, 2003 and the related statements of operations, stockholder's equity and cash flows for the period from inception (February 13, 2003) to December 31, 2003 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 The Strategic Financial Alliance, Inc. as of December 31, 2003 and the results of its operations and its cash flows for the period from inception (February 13, 2003) to December 31, 2003 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 the supplementary schedules 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.

*Registered: Public Company  
Accounting Oversight Board*

*Member: AICPA Center for  
Public Company Audit Firms*

*Member: PCPS  
AICPA Alliance for CPA Firms*

*Member: DFK International  
Affiliated Offices Worldwide*

February 13, 2004

# The Strategic Financial Alliance, Inc.

## Statement of Financial Condition

December 31, 2003

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### Assets

Cash and cash equivalents	\$	340,185
Commissions receivable		195,348
Other receivables		18,785
Prepaid expenses		74,100
Property and equipment, at cost less accumulated depreciation		29,516
	\$	<u>657,934</u>

### Liabilities and Stockholder's Equity

#### Liabilities:

Short-term note payable	\$	54,884
Commissions payable		269,544
Accounts payable and accrued expenses		5,438
Due to parent		17,964
Total liabilities		<u>347,830</u>

#### Commitments and contingencies

#### Stockholder's equity:

Common stock, \$0.01 par value, 5,000,000 shares authorized, 15,650 shares issued and outstanding		157
Additional paid-in capital		312,867
Accumulated deficit		(2,920)
Total stockholder's equity		<u>310,104</u>
	\$	<u>657,934</u>

*See accompanying notes to financial statements.*

# The Strategic Financial Alliance, Inc.

## Statement of Operations

For the Period From Inception (February 13, 2003) to December 31, 2003

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Revenue:

Commissions	\$	604,630
Other income		88,299
Interest income		788
		<hr/>
		693,717
		<hr/>

Expenses:

Commissions		525,237
General and administrative		171,400
		<hr/>
		696,637
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Net loss	\$	(2,920)
		<hr/>
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*See accompanying notes to financial statements.*

## The Strategic Financial Alliance, Inc.

### Statement of Stockholder's Equity

For the Period From Inception (February 13, 2003) to December 31, 2003

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Stockholder's Equity
Balance at February 13, 2003	-	\$ -	\$ -	\$ -	\$ -
Issuance of shares to parent	15,650	157	312,867	-	313,024
Net loss	-	-	-	(2,920)	(2,920)
Balance at December 31, 2003	<u>15,650</u>	<u>\$ 157</u>	<u>\$ 312,867</u>	<u>\$ (2,920)</u>	<u>\$ 310,104</u>

See accompanying notes to financial statements.

# The Strategic Financial Alliance, Inc.

## Statement of Cash Flows

For the Period From Inception (February 13, 2003) to December 31, 2003

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Cash flows from operating activities:	
Net loss	\$ (2,920)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	3,046
Changes in assets and liabilities:	
Commissions receivable	(195,348)
Other receivables	(18,785)
Prepaid expenses	(74,100)
Commissions payable	269,544
Accounts payable and accrued expenses	5,438
Net cash used in operating activities	<u>(13,125)</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(32,562)</u>
Net cash used in investing activities	<u>(32,562)</u>
Cash flows from financing activities:	
Issuance of shares to parent	313,024
Change in due to parent	17,964
Borrowings under short-term note payable	70,200
Repayments of short-term note payable	<u>(15,316)</u>
Net cash provided by financing activities	<u>385,872</u>
Net increase in cash and cash equivalents	340,185
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 340,185</u>

### Supplemental Disclosure of Cash Flow Information

Cash paid during the period for interest	<u>\$ 712</u>
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*See accompanying notes to financial statements.*

# **The Strategic Financial Alliance, Inc.**

## **Notes to Financial Statements December 31, 2003**

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### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### **Formation of Company**

The Strategic Financial Alliance, Inc. (the Company) was formed on February 13, 2003 and conducts business as a securities broker-dealer. On April 7, 2003, the Company changed its name from Reliance Advisory Services, Inc. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company became a member of the NASD in September 2003 and commenced broker-dealer operations in November 2003. The Company is a wholly owned subsidiary of Reliance Advisory Holdings, Inc. (the Parent). The Company is incorporated under the laws of the state of Georgia, is privately held and operates one office in Atlanta, Georgia.

#### **Description of the Business**

The Company, through a network of registered representatives, sells to customers various securities, including stocks, bonds, private placements, interests in limited partnerships and variable annuities, on a fully disclosed basis. All of the Company's trades are cleared through an unrelated clearing broker. The Company's registered representatives are licensed throughout the United States and operate under the jurisdiction of local offices of supervisory jurisdiction.

#### **Use of Estimates in Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

#### **Revenue Recognition**

Commission revenues and related clearing expenses are recorded on a trade-date basis as securities transactions occur. Limited partnership commission revenues and the related commission expenses are recorded when earned.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Company believes it mitigates risks by depositing cash and investing in cash equivalents with major financial institutions.

### **Methods of Depreciation**

Depreciation is provided using the straight-line method over the estimated useful lives of the individual assets as follows: office and computer equipment, three years; computer software, three years; and furniture and fixtures, seven years.

### **Impairment**

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Company evaluates the carrying amount of such assets in relation to the operating performance. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company's management determined that there were no impaired assets at December 31, 2003.

### **Income Taxes**

The Company is a C corporation for federal and state income tax purposes and is included in the consolidated return of the Parent. Federal and state income taxes are calculated as if the companies filed on a separate return basis and the amount of current tax or benefit is transferred to or received from the Parent. Accordingly, deferred income taxes are provided for temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities.

The income tax benefit for the period ended December 31, 2003 was not material.

### **Note 2: Related Party Transactions**

In May 2003, the Parent entered into an administrative services agreement with a third party whereby the third party would provide administrative support, including accounting and technology support, access to human resources, payroll processing and telephones and office space. Since commencing broker-dealer operations in November 2003, the Company has agreed to reimburse the Parent for amounts charged under this agreement. The Company pays to the Parent a monthly fee of \$2,500 and any salaries and benefits for Parent personnel acting on behalf of the Company. Total amounts owed to the Parent at December 31, 2003 were \$17,964 and expenses incurred by the Company totaled \$40,850 for the period ended December 31, 2003.

**Note 3: Property and Equipment**

A summary of property and equipment at December 31, 2003 follows:

Office and computer equipment	\$22,950
Computer software	9,292
Furniture and fixtures	<u>320</u>
	32,562
Less accumulated depreciation	<u>3,046</u>
	<u>\$29,516</u>

Depreciation expense associated with property and equipment was \$3,046 in the period ended December 31, 2003.

**Note 4: Short-Term Note Payable**

The short-term note payable at December 31, 2003 is summarized as follows:

October 2003, original principal balance \$70,200 term note; interest at 6.5%; nine monthly installments of principal and interest of \$8,012; matures July 2004; unsecured	<u>\$54,884</u>
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**Note 5: Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, not exceed 8 to 1 for the twelve months after commencing business as a broker dealer and 15 to 1 after that period. At December 31, 2003, the Company had net capital of \$129,208, which was in excess of its required net capital.

\* \* \* \* \*

**Supplemental Information**

## The Strategic Financial Alliance, Inc.

### Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission December 31, 2003

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Total stockholder's equity	\$	310,104
Deduct amounts not allowable for net capital:		
Commissions receivable		57,020
Other receivables		15,260
Property and equipment		29,516
Prepaid expenses		74,100
Total stockholder's equity qualified for net capital		<u>134,208</u>
Deduction:		
Other		<u>5,000</u>
Net capital	\$	<u><u>129,208</u></u>

Note: There were no material differences between the calculation of net capital per Part IIA of the amended Focus Report as of December 31, 2003 and the calculation of net capital per the audited financial statements as of December 31, 2003 of The Strategic Financial Alliance, Inc.

*See independent auditors' report and accompanying notes to financial statements.*

**The Strategic Financial Alliance, Inc.**

**Exemption From Rule 15c3-3 of the Securities and Exchange Commission  
December 31, 2003**

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Exemption from Rule 15c3-3 is claimed under Reg. Section 240.15c3-3(k)(2).

*See independent auditors' report and accompanying notes to financial statements.*



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Certified Public Accountants  
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*www.Bennett-Thrasher.com*

## **Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5**

To the Board of Directors and Stockholder of  
The Strategic Financial Alliance, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of The Strategic Financial Alliance, Inc. (the Company) for the period from inception (February 13, 2003) to 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 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 (or aggregate debits) 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 requirement for prompt payment for securities under Section 8 of Federal Reserves 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 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.

*Registered: Public Company  
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*Member: DFK International  
Affiliated Offices Worldwide*

Because of inherent limitations in internal control or the practices and procedures referred to above, errors 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 weakness 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 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, the stockholder, 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.

*Bennett Thrasher PC*

February 13, 2004