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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

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 09/01/03 AND ENDING 08/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: WNC Capital Corporation

OFFICIAL USE ONLY

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

FIRM I.D. NO.

17782 Sky Park Circle

(No. and Street)

Irvine, CA 92614-6404

(City)

(State)

(Zip Code)

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

Theresa Champany714/662-5565, x-116

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BDO Seidman, LLP

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

3200 Bristol Street, #400, Costa Mesa, CA 92626

(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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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)

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2A

WNC Capital Corporation

**Financial Statements
and Supplemental Material**
Year Ended August 31, 2004

WNC Capital Corporation

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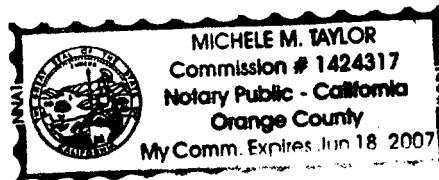
OATH OR AFFIRMATION

I, Theresa Champany, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WNC Capital Corporation, as of August 31, 2004, 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:

Theresa Champany
Signature

Vice President
Title

Michele M. Taylor
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).**



Independent Auditors' Report

To the Board of Directors
WNC Capital Corporation

We have audited the accompanying statement of financial condition of WNC Capital Corporation (the "Company") as of August 31, 2004, and the related statements of operations, stockholder's equity and cash flows for the year then ended that are being filed 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 WNC Capital Corporation as of August 31, 2004, 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 Schedule I 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 of 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.

BDO Seidman, LLP

Costa Mesa, California
September 30, 2004

WNC Capital Corporation

Statement of Financial Condition

<i>August 31,</i>	2004
Assets	
Cash	\$ 977,822
Commissions due from affiliates, net	63,393
Other	3,300
Total assets	\$ 1,044,515
Liabilities and Stockholder's Equity	
Liabilities	
Accrued commissions	\$ 50,920
Due to parent, net	88,773
Total liabilities	139,693
Commitments and contingencies	
Stockholder's equity	
Common stock; no par value; 100,000 shares authorized; 1,400 shares issued and outstanding	25,500
Retained earnings	879,322
Total stockholder's equity	904,822
Total liabilities and stockholder's equity	\$ 1,044,515

See accompanying notes to financial statements.

WNC Capital Corporation

Statement of Operations

<i>Year ended August 31,</i>	2004
Revenues	
Commissions	\$ 1,944,148
Dealer-manager and investment advisory fees	510,833
Interest and other	1,900
Total revenues	2,456,881
Expenses	
Commissions	1,942,748
Marketing, compensation and benefits	289,068
Licenses, fees, accounting and other	49,332
Total expenses	2,281,148
Income before income tax provision	175,733
Income tax provision	70,436
Net income	\$ 105,297

See accompanying notes to financial statements.

WNC Capital Corporation

Statement of Stockholder's Equity

	<u>Common Stock</u>		Retained	Total
	Shares	Amount	Earnings	Stockholder's Equity
Balance, September 1, 2003	1,400	\$ 25,500	\$ 774,025	\$ 799,525
Net income	-	-	105,297	105,297
Balance, August 31, 2004	1,400	\$ 25,500	\$ 879,322	\$ 904,822

See accompanying notes to financial statements.

WNC Capital Corporation

Statement of Cash Flows

<i>Year ended August 31,</i>	<i>2004</i>
Cash flows from operating activities	
Net income	\$ 105,297
Changes in operating assets and liabilities:	
Commissions due from affiliates, net	(25,745)
Accrued commissions	17,232
Due from Parent, net	379,286
Net cash provided by operating activities	476,070
Net increase in cash	476,070
Cash, beginning of year	501,752
Cash, end of year	\$ 977,822

See accompanying notes to financial statements.

WNC Capital Corporation

Notes to Financial Statements

1. **Organization and
Summary of
Significant
Accounting
Policies**

General

WNC Capital Corporation (the "Company"), a California corporation, wholly-owned by WNC & Associates, Inc. ("WNC"), was organized on February 23, 1994 principally to facilitate the distribution of securities of partnerships offered by the affiliates of WNC. The Company is registered with the Securities and Exchange Commission ("SEC") as a broker/dealer in securities and is a member of the National Association of Securities Dealers ("NASD"). The Company provides wholesaling services to affiliates of WNC. The Company does not carry customers' accounts or hold securities for the accounts of customers.

Use of Estimates

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 reported period. Actual results could materially differ from those estimates.

Concentration of Credit Risk

The Company, at times, maintains cash balances at certain financial institutions in excess of the federally insured amounts. As of August 31, 2004, such excess totaled \$877,822.

WNC Capital Corporation

Notes to Financial Statements (Continued)

1. **Organization and
Summary of
Significant
Accounting
Policies
(Continued)**

Risks and Uncertainties

Registration

The Company must register with state departments which govern compliance with securities laws in states where it does business. Various regulatory requirements exist in each state with which the Company must comply. Because of the various compliance laws, there is a risk that one or more regulatory authorities could determine that the Company has not complied with securities laws necessary for it to conduct business in a given state. Regulatory actions, if ever taken, could have a material adverse effect on the Company's financial condition and operating results.

Economic Dependence

The Company derives its revenues from the sale of limited partnership units of entities syndicated by WNC. Should WNC's syndication activity materially change, the results of operations of the Company could be materially impaired.

Revenue Recognition

Commissions revenue and related expenses are recorded on a trade date basis (see Note 2). Dealer-manager and investment advisory fees are recorded when the related services are performed.

Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." ("SFAS 109") Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective bases.

WNC Capital Corporation

Notes to Financial Statements (Continued)

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- | | |
|---|---|
| 1. Organization and Summary of Significant Accounting Policies (Continued) | As the Company is a wholly owned subsidiary of WNC, the Company is included in the consolidated tax return of WNC. Federal and state income tax expense or benefit is allocated from WNC based on an approximate 40% income tax rate applied to income or loss before income taxes and after adjustments for permanent items. The full amount of current income taxes payable is included in Due to Parent on the statement of financial condition. |
| 2. Related Party Transactions | <p>Commissions due from affiliates represents commissions earned by the Company which are due from an affiliate of WNC at August 31, 2004.</p> <p>WNC provides certain administrative services, including use of office space and equipment, to the Company at no cost. Such services have not been significant through August 31, 2004.</p> <p>All commissions and dealer-manager and investment advisory fees earned during the year ended August 31, 2004 were generated from services provided to WNC affiliates.</p> <p>Due to parent, net represents net money advanced from WNC for purposes of paying operating expenses of the Company and current income taxes payable.</p> |
| 3. Reserve Requirements for Brokers and Dealers | The Company is exempt from the provisions of Rule 15c3-3 (per Paragraph k(2)(ii) of such rule) under the Securities and Exchange Act of 1934 as a broker or dealer that carries no customer accounts and does not otherwise hold funds or securities of customers. |
| 4. Net Capital Requirements | The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness to regulatory net capital, both as defined, shall not exceed 15 to 1. At August 31, 2004, the Company had net capital of \$838,129, which was \$828,816 in excess of the required net capital. The Company's aggregate indebtedness to net capital ratio was 0.17 to 1 at August 31, 2004. |

Supplemental Material

WNC Capital Corporation

Schedule I - Computation of Net Capital Under Rule 15c3-1 and Reconciliation with Company's Computation (Included in Part II of Form X-17A-5 as of August 31, 2004)

<i>August 31,</i>	2004
Computation of Net Capital	
Stockholder's equity from the statement of financial condition	\$ 904,822
Deductions and charges	
Nonallowable assets:	
Commissions due from affiliates	(63,393)
Other assets	(3,300)
Total Deductions	(66,693)
Net capital	\$ 838,129
Aggregate indebtedness	
Accrued commissions	\$ 50,920
Due to parent, net	88,773
Total aggregate indebtedness	\$ 139,693
Computation of Basic Net Capital Requirement	
Minimum net capital, the greater of \$5,000 or 6⅔% of aggregate indebtedness	\$ 9,313
Excess net capital	\$ 828,816
Ratio of aggregate indebtedness to net capital	0.17 to 1

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

WNC Capital Corporation

Schedule I - Computation of Net Capital Under Rule 15c3-1 and Reconciliation with Company's Computation (Included in Part II of Form X-17A-5 as of August 31, 2004) (Continued)

<i>August 31,</i>	2004
Reconciliation with Company's Computation (included in Part II of Form X-17A-5 as of August 31, 2004)	
Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 901,291
Adjustments to commission income and expense, net of tax not recorded on FOCUS report	231
Additional assets shown as non allowable on audit report	(63,393)
Net capital per Schedule I	\$ 838,129

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



Independent Auditors' Report on Internal Control Required by The Securities and Exchange Commission Rule 17a-5

To the Board of Directors
WNC Capital Corporation

In planning and performing our audit of the financial statements and supplemental schedules of WNC Capital Corporation (the "Company") as of and for the year ended August 31, 2004, 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 the 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; and
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 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.

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 August 31, 2004, to meet the SEC's objectives.

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

BDO Seidman, LLP

Costa Mesa, California
September 30, 2004