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SECURITIES AND
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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 11/1/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Gregory, Bent & Swanson Inc

OFFICIAL USE ONLY
FIRM ID. NO.

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

4011 W. Jefferson Blvd, Ste. 225
(No 2nd Street)

Fort Wayne, IN 46804
(City) (State) (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*

David Culp & Co

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

(Address)

(City)

(State)

Zip Code:

CHECK ONE:

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

PROCESSED
AUG 13 2004

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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).

894-12

GREGORY, ZENT & SWANSON INC.

AUDIT REPORT

DECEMBER 31, 2003

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OFFICE OF THE COMMISSIONER
AUG 9 8 2004
DIVISION OF CORPORATE FINANCE

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Board of Directors
Gregory, Zent & Swanson Inc.
Fort Wayne, Indiana

Independent Auditors' Report

We have audited the accompanying statement of financial condition of Gregory, Zent & Swanson Inc., an Indiana corporation, as of December 31, 2003, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities and 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 U.S. generally accepted auditing standards. 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 Gregory, Zent & Swanson Inc. as of December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in pages ten through eleven 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 and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the examination 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.


David Culp & Co.
Certified Public Accountants

Fort Wayne, Indiana
January 14, 2004

GREGORY, ZENT & SWANSON INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2003

ASSETS

Cash on hand and in bank - Note 2	\$216,773
Prepaid expenses	20,536
Other assets - Note 3	13,440
Furniture and fixtures, at cost, less accumulated depreciation of \$77,555	27,646
Deferred income taxes - 4	<u>2,063</u>
 Total assets	 \$280,458 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Accounts payable	\$ 12,931
Commissions payable - Note 5	37,986
Payroll taxes accrued and withheld	17,821
Accrued expenses	<u>7,600</u>

Total liabilities 76,338

Stockholders' Equity:

Common stock - Note 6	
Authorized - 1,000 shares with no par value	
Issued - 595 shares with 585 outstanding	56,283
Retained earnings	<u>147,837</u>

Total stockholders' equity 204,120

Total liabilities and stockholders' equity \$280,458
=====

The accompanying notes are an integral part of these financial statements.

GREGORY, ZENT & SWANSON INC.

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Revenues -</u>	
Commissions and management fees	\$1,282,396
Interest and dividend income	<u>2,319</u>
Total revenues	<u>1,284,715</u>
 <u>Expenses -</u>	
Commissions - Note 5	559,253
Transaction fees	146,859
Salaries and wages	153,754
Office supplies	28,487
Rent	20,393
Telephone	15,697
Computer services	67,494
Depreciation and amortization	9,287
Licenses and permits	7,840
Legal and professional	10,054
Payroll and property taxes	28,737
Travel and entertainment	46,491
Dues and subscriptions	14,653
Utilities	6,240
Insurance	14,890
Education	639
Marketing and advertising - Note 1	36,004
Employee benefits	23,051
Donations	1,225
Investment advisory services	64,876
Bank charges	69
Contract labor	2,152
Employee recruitment	423
Interest expense	16
Loss on disposal of stock warrants	<u>1,100</u>
Total expenses	<u>1,259,684</u>
 <u>Income before income taxes</u>	 25,031
<u>Income taxes - Note 8</u>	<u>9,076</u>
<u>Net income</u>	\$ 15,955 =====

The accompanying notes are an integral part of these financial statements.

GREGORY, ZENT & SWANSON INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Capital Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2003	\$59,500	\$ 131,882	\$191,382
Net income	-	15,955	15,955
Purchase of 10 shares of treasury stock	<u>(3,217)</u>	<u>-</u>	<u>(3,217)</u>
Balance at December 31, 2003	\$56,283 =====	\$ 147,837 =====	\$204,120 =====

The accompanying notes are an integral part of these financial statements.

GREGORY, ZENT & SWANSON INC.

STATEMENT OF CHANGES IN LIABILITIES

SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

FOR THE YEAR ENDED DECEMBER 31, 2003

Subordinated liabilities at January 1, 2003	\$	-
Increases		-
Decreases -		
Payment of subordinated note		-
Subordinated liabilities at December 31, 2003	\$	-
	=====	

The accompanying notes are an integral part of these financial statements.

- David Culp & Co., Certified Public Accountants -

GREGORY, ZENT & SWANSON INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Cash flows from operating activities:</u>	
Net income	\$ 15,955
Adjustments to reconcile net income to net cash provided by operating activities -	
Depreciation and amortization	9,287
Loss on unexercised stock warrants	1,100
(Increase) in accounts receivable	(11,162)
(Increase) in prepaid expenses	(3,072)
Increase in payroll taxes accrued and withheld	4,298
Increase in accounts payable	5,221
(Decrease) in accrued expenses	(22,984)
(Decrease) in accrued income taxes	(7,943)
(Decrease) in deferred income taxes	(3,179)
Increase in commissions payable	15,541
	<u>3,062</u>
Net cash provided by operating activities	
<u>Cash flows from investing activities:</u>	
Purchase of furniture and fixtures	<u>(10,027)</u>
Net cash (used in) investing activities	<u>(10,027)</u>
<u>Cash flows from financing activities:</u>	
Purchase of treasury stock	<u>(3,217)</u>
Net cash (used in) financing activities	<u>(3,217)</u>
<u>Net (decrease) in cash and cash equivalents</u>	<u>(10,182)</u>
<u>Cash and cash equivalents at beginning of year</u>	<u>226,955</u>
<u>Cash and cash equivalents at end of year</u>	<u>\$216,773</u>
	=====
<u>Supplemental disclosures of cash flow information:</u>	
Cash paid during the year for -	
Interest	\$ 16
	=====
Income taxes	\$ 20,198
	=====

The accompanying notes are an integral part of these financial statements.

GREGORY, ZENT & SWANSON INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

Note 1: Accounting policies -

Method - The accounts are maintained on the accrual basis.

Nature of business - The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD). The Company services clients predominately located in Northeastern Indiana.

Use of estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Customers' securities - Transactions and related commission income and expenses are recorded on a settlement date basis.

Marketable securities - Marketable securities are valued at market value. The resulting difference between cost and market is included in income.

Depreciation - Depreciation is provided on a straight-line basis using estimated useful lives of five to ten years.

Statement of cash flows - For purposes of the statement of cash flows, the Company considers investments in money market funds to be cash equivalents. Cash and cash equivalents at December 31, 2003 consisted of the following:

Cash on hand and in bank	\$216,773
	=====

Advertising - The Company expenses advertising as incurred. Advertising expense was \$2,287 for the year ended December 31, 2003.

Note 2: Significant concentrations of credit risk - The Company maintains cash accounts at Tower Bank and Pershing, LLC. Amounts in excess of FDIC coverage reside at Pershing, LLC and total \$194,960 at December 31, 2003.

GREGORY, ZENT & SWANSON INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003

Note 3: Other assets - The Company owned 300 warrants to purchase 1,200 shares of NASDAQ stock, exercisable in tranches of 300 shares on or before June 28, 2003. Additional tranches of 300 shares are executable on or before June 28, 2004 and 2005. The Company did not exercise the option to purchase 300 shares in 2003. The Company intends to hold the remaining warrants to purchase NASDAQ stock for voting, information and research purposes.

Note 4: Deferred income taxes - Deferred income taxes result from a timing difference in the recognition of revenues and expenses for financial reporting and income tax reporting. The principal sources of these differences are the difference between book and tax depreciation and the difference between accrual basis financial reporting versus cash basis tax reporting.

Note 5: Related party transactions - Commissions payable at December 31, 2003 of \$29,340 are owed to stockholders of the Corporation. Commissions paid to the stockholders during 2003 were \$408,367.

Note 6: Net capital requirement - The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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, shall not exceed 15 to 1. At December 31, 2003, the Company had net capital of \$136,986, which was \$86,986 in excess of its required net capital of \$50,000. The Company's net capital ratio was .56 to 1.

Note 7: Stock Buyout Agreement - On November 13, 1996, the Corporation and shareholders of the Corporation entered into an agreement which requires the Corporation to buy the shares of a minority shareholder upon the death or disability of the shareholder. The Company also entered into an agreement with the president and vice-president of the Corporation, which requires the sale of stock to the vice-president upon the death or disability of the president.

Note 8: Income tax expense - The components of the income tax expense for the year ended December 31, 2003 are:

GREGORY, ZENT & SWANSON INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003

Note 8: Income tax expense (Continued) -

<u>Current -</u>	
Federal	\$ 6,413
State	<u>4,900</u>
	<u>11,313</u>
<u>Deferred -</u>	
Federal	(1,228)
State	<u>(1,009)</u>
	<u>(2,237)</u>
Total expense	\$ 9,076 =====

The deferred tax provision results from a difference in the recognition of revenue and expenses for tax and financial statement purposes. The sources of this difference and the tax effect are as follows:

Accrual versus cash reporting	\$ (1,464)
Depreciation	<u>(773)</u>
	\$ (2,237) =====

A reconciliation of the statutory income tax rates and the effective tax rate for the year ended December 31, 2003 is as follows:

Tax at statutory rate	\$ 7,008
Permanent timing differences - Nondeductible meals and entertainment	5,928
Miscellaneous timing differences	<u>(3,860)</u>
Current tax provision	\$ 9,076 =====

GREGORY, ZENT & SWANSON INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2003

Net Capital:

Total stockholders' equity	\$204,120
<u>Add:</u> Liabilities subordinated to claims of general creditors allowable in computation of net capital	<u>-</u>
Total capital and allowable subordinated liabilities	204,120

Deductions and/or charges -

Nonallowable assets -	
Petty cash	\$ 50
Prepaid expenses	20,536
Other assets	13,440
Furniture and fixtures	27,646
Deferred income taxes	<u>2,063</u>
	<u>63,735</u>

Net capital before haircuts on securities positions 140,385

Haircuts on securities 3,399

Net capital \$136,986
=====

Aggregate Indebtedness \$ 76,338
=====

Computation of Basic Net Capital Requirements:

Minimum net capital required (15 to 1 ratio) \$ 5,089
=====

Minimum dollar net capital required (\$50,000) \$ 50,000
=====

Excess net capital \$ 86,986
=====

Ratio: Aggregate indebtedness to net capital .56 to 1
or 56%
=====

Reconciliation With Company's Computation,
(included in Part II of Form X-17A-5 as of
December 31, 2003):

Net capital, as reported in Company's
Part II (unaudited) -
 FOCUS report \$136,986
 Rounding -

Net capital, per above \$136,986
=====

GREGORY, ZENT & SWANSON INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS

UNDER RULE 15c3-3

AS OF DECEMBER 31, 2003

The Company is exempt from Rule 15c3-3. All customer transactions are cleared through Pershing, LLC on a fully disclosed basis.

REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

Board of Directors
Gregory, Zent & Swanson Inc.
Fort Wayne, Indiana

In planning and performing our audit of the financial statements and supplemental schedules of Gregory, Zent & Swanson Inc. (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 internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, 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 the preparation of financial statements in conformity 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 and 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, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities and 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.


David Culp & Co.
Certified Public Accountants

Fort Wayne, Indiana
January 14, 2004