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

SEC FILE NUMBER  
8- 48680

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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: WARNER FINANCIAL INTERNATIONAL INCORPORATED OFFICIAL USE ONLY

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

FIRM I.D. NO.

2222 East State Street

(No. and Street)

Rockford

IL

61104-1573

(City)

(State)

(Zip Code)

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

Richard F. Warner

815/397-3555

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Weinberg & Co.

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

1415 East State Street, Suite 700

Rockford

IL

61104

(Address)

(City)

(State)

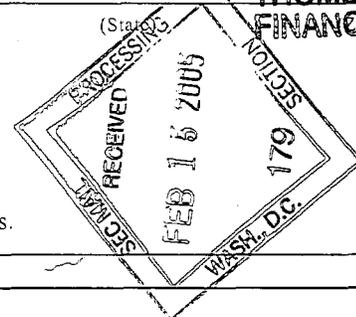
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FINANCIAL



CHECK ONE:

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

**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.

OATH OR AFFIRMATION

I, Richard F. Warner, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Warner Financial International Incorporated, as of December 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:

No exceptions



Richard F. Warner  
Signature

President  
Title

Shirley Hansen  
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. (Cash Flow)
- (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).

WARNER FINANCIAL INTERNATIONAL INCORPORATED

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ANNUAL AUDITED REPORT  
For the Year Ended  
December 31, 2004

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Warner Financial International Incorporated  
Rockford, Illinois

We have audited the accompanying statement of financial condition of Warner Financial International Incorporated as of December 31, 2004, and the related statements of income, cash flows, and stockholder's equity for the year 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 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 Warner Financial International Incorporated as of December 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.

*Weinberg & Co.*

Rockford, Illinois  
January 14, 2005

WARNER FINANCIAL INTERNATIONAL INCORPORATED

STATEMENT OF FINANCIAL CONDITION  
December 31, 2004

<u>ASSETS</u>	<u>Allowable For Regulatory Capital</u>	<u>Allowable For Non-Regulatory Capital</u>	<u>Total</u>
Cash	\$ 4 873	\$ -	\$ 4 873
Marketable equity securities, available for sale	<u>29 447</u>	<u>-</u>	<u>29 447</u>
TOTAL CURRENT ASSETS	<u>34 320</u>	<u>-</u>	<u>34 320</u>
FURNITURE AND FIXTURES	-	13 003	13 003
Less accumulated depreciation	<u>-</u>	<u>13 003</u>	<u>13 003</u>
NET FURNITURE AND FIXTURES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 34 320</u>	<u>\$ -</u>	<u>\$ 34 320</u>
 <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>			
CURRENT LIABILITY, Income tax payable			<u>\$ 137</u>
 STOCKHOLDER'S EQUITY			
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued			1 000
Additional paid-in capital			19 886
Retained earnings			26 178
Accumulated other comprehensive income			<u>(12 881)</u>
TOTAL STOCKHOLDER'S EQUITY			<u>34 183</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY			<u>\$ 34 320</u>

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

WARNER FINANCIAL INTERNATIONAL INCORPORATED

STATEMENT OF INCOME  
For the Year Ended December 31, 2004

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REVENUE,	
Commissions (net of refunds)	<u>\$ 14 539</u>
EXPENSES:	
Audit	2 390
Depreciation	155
Office repairs and maintenance	859
Licenses, dues and fees	1 690
Miscellaneous	<u>300</u>
	<u>5 394</u>
Income before income taxes	9 145
Income tax expense	<u>147</u>
NET INCOME	<u><u>\$ 8 998</u></u>

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

WARNER FINANCIAL INTERNATIONAL INCORPORATED

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2004

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CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 8 998
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	155
Changes in assets and liabilities, Income taxes	<u>(113)</u>
Net cash used for operating activities	9 040
CASH FLOWS USED FOR FINANCING ACTIVITIES, Shareholder distributions	<u>(9 943)</u>
(Decrease) in cash	(903)
CASH, beginning of year	<u>5 776</u>
CASH, end of year	<u>\$ 4 873</u>

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

<u>Compre- hensive Income</u>	Accumulated Other Compre- hensive Income <u>(Loss)</u>	<u>Total</u>
\$ -	\$ (15 571)	\$ 32 438
8 998	-	8 998
<u>2 690</u>	2 690	<u>2 690</u>
<u>\$ 11 688</u>	-	44 126
	<u>-</u>	<u>(9 943)</u>
	<u>\$ (12 881)</u>	<u>\$ 34 183</u>

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

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Company operates as a registered securities broker-dealer, located in Rockford, Illinois. The Company's primary sources of income are commissions on sales of mutual funds and other financial products.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Comprehensive Income

Accounting principles generally require that recognized revenue, expense, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Furniture, Equipment, and Depreciation

Furniture and equipment contributed as capital at date of incorporation are valued at estimated fair market value, in the amount of \$10,000. Furniture and equipment acquired after this date are accounted for at cost. Depreciation of furniture and equipment are calculated using the accelerated method over estimated useful lives of five to seven years, for financial statement and income tax reporting purposes.

Repairs and maintenance are charged to expense when incurred and renewals and betterments are capitalized. When fixed assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income.

Income Taxes

The Company, with the consent of its sole shareholder, has elected under the Internal Revenue Code to be an S Corporation. In lieu of federal corporate income taxes, the shareholder of an S Corporation is personally taxed on the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The Company is subject to Illinois corporate income tax.

NOTE 2 - MARKETABLE EQUITY SECURITIES

Marketable equity securities consist of mutual funds. The securities are classified as available for sale and reported at their current market value. At December 31, 2004, marketable equity securities had a total cost of \$42,328 and an estimated fair value of \$29,447. Unrealized loss at December 31, 2004, was \$12,881. The net change in unrealized gain (loss) for the year ended December 31, 2004, amounted to a net gain of \$2,690.

NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended December 31, 2004

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NOTE 3 - REGULATORY CAPITAL REQUIREMENT

Regulatory agencies require the Company to maintain a minimum net capital of \$5,000. "Allowable" assets for the regulatory computation exclude the net book value of furniture and equipment and also exclude 15 percent of the estimated market value of certain marketable securities. At December 31, 2004, the Company's regulatory net capital was \$29,766, and exceeded the minimum amount of \$24,766.

Report of Independent Accountants on  
Supplementary Information Required by Rule 17a-5  
of the Securities and Exchange Commission

Board of Directors  
Warner Financial International Incorporated  
Rockford, Illinois

We have audited the accompanying financial statements of Warner Financial International Incorporated as of and for the year ended December 31, 2004, and have issued our report thereon dated January 14, 2005. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II, 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 Commission. 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.

*Weinberg & Co.*

Weinberg & Co.

Rockford, Illinois  
January 14, 2005

## WARNER FINANCIAL INTERNATIONAL INCORPORATED

COMPUTATION OF NET CAPITAL  
AND BASIC NET CAPITAL REQUIREMENT  
December 31, 2004

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## COMPUTATION OF NET CAPITAL

Total stockholder's equity	\$	34 183
Less nonallowable assets from statement of financial condition		-
Net capital before haircuts on securities positions		34 183
Less haircuts on mutual funds at 15%		4 417
	\$	29 766

## COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	\$	-
Minimum dollar net capital requirement of reporting broker or dealer		5 000
Net capital requirement	\$	5 000
Excess net capital:		
Net capital as above	\$	29 766
Net capital requirement		5 000
Excess net capital at 100%	\$	24 766

## COMPUTATION OF AGGREGATE INDEBTEDNESS

Total A.I. liabilities	\$	-
Percentage of aggregate indebtedness to net capital	\$	-

WARNER FINANCIAL INTERNATIONAL INCORPORATED

SUMMARY OF AUDIT ADJUSTMENTS  
TO COMPUTATION OF NET CAPITAL REQUIREMENT  
December 31, 2004

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Net capital as previously reported in the Financial and Operation Combined Uniform Single Report - Part IIA (unaudited)	\$ 29 903
Audit adjustment, Income taxes	<u>(137)</u>
Net capital as currently reported on Schedule I	<u>\$ 29 766</u>

Board of Directors  
Warner Financial International Incorporated  
Rockford, Illinois

In planning and performing our audit of the financial statements of Warner Financial International Incorporated for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We noted no matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the structure may become inadequate because of changes in conditions or that degree of compliance with the structure may deteriorate.

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

*Weinberg & Co.*

Rockford, Illinois  
January 14, 2005