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

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ICBA FINANCIAL SERVICES CORPORATION

OFFICIAL USE ONLY
FIRM I.D. NO.

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

775 RIDGE LAKE BLVD

(No. and Street)

MEMPHIS

TENNESSEE

38120

(City)

(State)

(Zip Code)

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

HAROLD DEVRIES

320-352-6546

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MCGLADREY & PULLEN LLP

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

801 NICOLLET AVENUE, SUITE 1300

MINNEAPOLIS

MN

55402

(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 15 2005

ICBA
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)

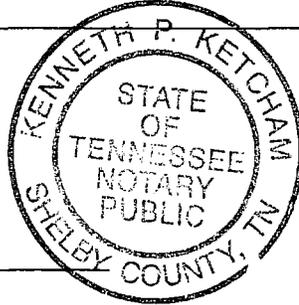
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OATH OR AFFIRMATION

I, WILLIAM W. REID, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ICBA FINANCIAL SERVICES CORPORATION, as of DECEMBER 31, 20 04, 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:

NONE



Signature: [Handwritten Signature]
Title: Pres / CEO

[Handwritten Signature]
Notary Public

My Commission Exp. June 24, 2008

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 Control

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

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
ICBA Financial Services Corporation
Memphis, Tennessee

We have audited the accompanying statements of financial condition of ICBA Financial Services Corporation as of December 31, 2004 and 2003, and the related statements of operations, stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years then ended 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 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 ICBA Financial Services Corporation as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
February 3, 2005

ICBA Financial Services Corporation

Statements of Financial Condition
December 31, 2004 and 2003

Assets	2004	2003
Cash and cash equivalents	\$ 578,526	\$ 512,451
Receivables:		
Clearing broker-dealer (Note 7)	240,626	226,629
Program members	50,869	59,436
Income tax receivable from parent	10,704	34,541
Other	2,561	12,817
Prepaid expenses and other assets	51,405	71,068
Furniture and equipment, net of accumulated depreciation of \$96,568 in 2004 and \$86,793 in 2003	16,608	25,674
	<u>\$ 951,299</u>	<u>\$ 942,616</u>

Liabilities and Stockholder's Equity

Liabilities		
Accounts payable	\$ 364,453	\$ 365,083
Accrued expenses	8,243	8,347
Due to related parties (Note 2)	100,595	105,656
Deferred revenue	78,753	87,713
	<u>552,044</u>	<u>566,799</u>
Liabilities Subordinated to Claims of General Creditors (Note 5)	<u>-</u>	<u>150,000</u>
Commitments (Note 4)		
Stockholder's Equity (Note 6)		
Common stock, \$1 par value; 10,000 shares authorized; 100 shares issued and outstanding	100	100
Additional paid-in capital	1,034,900	849,900
Accumulated deficit	(635,745)	(624,183)
	<u>399,255</u>	<u>225,817</u>
	<u>\$ 951,299</u>	<u>\$ 942,616</u>

See Notes to Financial Statements.

ICBA Financial Services Corporation

Statements of Operations

Years Ended December 31, 2004 and 2003

	2004	2003
Revenues:		
Mutual funds, variable annuities and qualified plans	\$ 592,243	\$ 580,494
Discount brokerage	116,846	100,097
Fixed annuity and life products (Note 2)	147,542	113,061
Enrollment and maintenance fees	98,900	133,750
Interest income	4,308	4,439
Other income	47,274	9,127
Total revenues	1,007,113	940,968
Expenses:		
Legal and professional fees	20,417	23,791
Director expenses	30,769	41,018
Royalties to ICBA (Note 2)	29,655	28,931
ISN service contract expense (Note 2)	84,830	65,004
Administrative (Note 2)	721,533	709,666
Other expenses	133,471	172,444
Total expenses	1,020,675	1,040,854
Loss before income taxes	(13,562)	(99,886)
Federal and state income tax benefit	(2,000)	(34,000)
Net loss	\$ (11,562)	\$ (65,886)

See Notes to Financial Statements.

ICBA Financial Services Corporation

Statements of Stockholder's Equity
Years Ended December 31, 2004 and 2003

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount			
Balance, December 31, 2002	100	\$ 100	\$ 849,900	\$ (558,297)	\$ 291,703
Net loss	-	-	-	(65,886)	(65,886)
Balance, December 31, 2003	100	100	849,900	(624,183)	225,817
Contribution of capital	-	-	185,000	-	185,000
Net loss	-	-	-	(11,562)	(11,562)
Balance, December 31, 2004	100	\$ 100	\$ 1,034,900	\$ (635,745)	\$ 399,255

See Notes to Financial Statements.

ICBA Financial Services Corporation

**Statements of Changes in Liabilities Subordinated to Claims of General Creditors
Years Ended December 31, 2004 and 2003**

Subordinated borrowings at January 1, 2003	\$ 150,000
Activity	-
Subordinated borrowings at December 31, 2003	150,000
Payment of subordinated debt	(150,000)
Subordinated borrowings at December 31, 2004	<u>\$ -</u>

See Notes to Financial Statements.

ICBA Financial Services Corporation

Statements of Cash Flows
Years Ended December 31, 2004 and 2003

	2004	2003
Cash Flows From Operating Activities		
Net loss	\$ (11,562)	\$ (65,886)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	9,775	17,862
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	28,663	130,600
Prepaid expenses and other assets	19,663	(7,703)
Increase (decrease) in:		
Accounts payable	(630)	(70,943)
Accrued expenses	(104)	(3,378)
Due to related parties	(5,061)	1,228
Deferred revenue	(8,960)	69,713
Net cash provided by operating activities	31,784	71,493
Cash Flows From Investing Activities		
Purchase of furniture and equipment	(709)	(6,206)
Net cash used in investing activities	(709)	(6,206)
Cash Flows From Financing Activities		
Contribution of capital	185,000	-
Payment of subordinated debt	(150,000)	-
Net cash provided by financing activities	35,000	-
Net increase in cash and cash equivalents	66,075	65,287
Cash and Cash Equivalents		
Beginning	512,451	447,164
Ending	\$ 578,526	\$ 512,451
Supplemental Disclosures of Cash Flow Information		
Cash paid (received) for income taxes	\$ (25,837)	\$ (30,872)
Cash payments for interest	12,375	12,375

See Notes to Financial Statements.

ICBA Financial Services Corporation

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: ICBA Financial Services Corporation (the Company) is a wholly owned subsidiary of ICBA Services Network, Inc. (ISN), which is a wholly owned subsidiary of Independent Community Bankers of America (ICBA), a not-for-profit trade association serving member financial institutions located throughout the United States.

The primary business of the Company is the sale of mutual funds, variable annuities and discount brokerage services, as a nonclearing broker-dealer, to customers throughout the United States. The Company is registered with the Securities and Exchange Commission (SEC), the National Association of Securities Dealers, Inc. (NASD), the Municipal Securities Rulemaking Board (MSRB) and the Securities Investors Protection Corporation (SIPC).

The Company operates under the provisions of paragraph (k)(2)(i) of rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of paragraph (k)(2)(i) provide that the Company carry no margin accounts, promptly transmit all customer funds and deliver all securities received in connection with its activities as a broker-dealer, does not hold funds or securities for or owe money or securities to customers, and effectuates all financial transactions with customers through one or more bank accounts designated as a special account for the exclusive benefit of its customers.

Summary of significant accounting policies:

Cash and cash equivalents: For purposes of reporting the statements of cash flows, cash and cash equivalents include cash on hand and due from banks. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Revenue recognition: The Company earns dealer commissions based on a percentage of customers' securities transactions. For purposes of the revenue accrual, customer transactions are reported on a trade-date basis. The Company also earns a trail commission based on average customer assets.

Furniture and equipment: Furniture and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using an accelerated method over three to ten years.

Income taxes: The Company is a member of a group that files a consolidated federal tax return. Accordingly, income taxes are recognized on the financial statements of the parent company, who is the taxpayer for income tax purposes. The member makes/receives payments to/from the parent company for its allocated share of the consolidated income tax liability/refund. This allocation approximates the amounts that would be reported if the Company was separately filing its tax return. The result of this allocation is reported on the accompanying statements of operations as "federal and state income tax benefit." In addition, the Company files its state income tax return on a separate basis.

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 reporting period. Actual results could differ from those estimates.

ICBA Financial Services Corporation

Notes to Financial Statements

Note 2. Related-Party Transactions

In connection with an administrative services agreement with ISN, the Company was charged \$84,830 and \$65,004 for the years ended December 31, 2004 and 2003, respectively, to cover certain administrative expenses paid for by ISN.

The Company also pays royalties to ICBA for use of its logo and name in marketing. The amounts charged to expense were \$29,655 and \$28,931 for the years ended December 31, 2004 and 2003, respectively.

In 2003, the Company entered into a services agreement with ICBA Insurance Services to provide various fixed annuity and life products to its participating banks. In consideration for providing the services in 2004 and 2003, the Company received fees of \$147,542 and \$84,564, respectively. This fee revenue is reported on the accompanying statements of operations as "fixed annuity and life products."

Note 3. 401(k) Plan

The Company participates in a 401(k) plan, together with ICBA and other related entities, for all qualified employees. The Company matches 100 percent of the employees' contributions up to 6 percent of their compensation. The employer contributions for the years ended December 31, 2004 and 2003, amounted to \$21,303 and \$18,569, respectively.

Note 4. Operating Lease

The Company entered into an office lease beginning on January 1, 2001. This lease expires on December 31, 2005. The minimum rental commitment under the lease for 2005 is approximately \$46,000.

Total rent expense for the years ended December 31, 2004 and 2003, amounted to \$49,652 and \$47,266, respectively.

Note 5. Liabilities Subordinated to Claims of General Creditors

In 2003, the Company had a borrowing under a subordination agreement with its parent company in the amount of \$150,000, accruing interest at 8.25 percent annually. The note matured May 31, 2004, and was paid. The borrowing was covered by an agreement approved by the National Association of Securities Dealers, Inc. and was available in computing net capital under the Securities and Exchange Commission's Uniform Net Capital Rule. To the extent that such borrowing is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid (see Note 6). Interest expense under this agreement was \$5,156 and \$12,375 in 2004 and 2003, respectively.

ICBA Financial Services Corporation

Notes to Financial Statements

Note 6. Net Capital Requirements

The Company is subject to the SEC's Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule 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, 2004, the Company's net capital ratio, net capital and excess net capital were as follows:

Net capital ratio		2.84 to 1
Net capital	\$	194,249
Excess net capital	\$	157,446

Note 7. Off-Balance-Sheet Risk and Concentration of Credit Risk

The Company's customers' securities transactions are introduced on a fully disclosed basis with its various clearing broker-dealers. The clearing broker-dealers carry all of the accounts of the customers of the Company and are responsible for execution, collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments, wherein the clearing broker-dealers may charge any losses they incur to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and ensure that customer transactions are executed properly by the clearing broker-dealers.

Amounts due from the clearing broker-dealers are related to customer securities transactions introduced by the Company. Amounts due from broker-dealers represent a concentration of credit risk. The risk of default depends on the creditworthiness of the counterparty. The Company does not anticipate nonperformance by its clearing broker-dealers. In addition, the Company has a policy of reviewing, as necessary, the credit of each counterparty with which it conducts business.

Concentration by institution: The Company has a concentration of funds totaling \$560,330 and \$512,451 at December 31, 2004 and 2003, respectively, on deposit at one bank.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information Pursuant to SEC Rule 17a-5

To the Board of Directors
ICBA Financial Services Corporation
Memphis, Tennessee

We have audited the financial statements of ICBA Financial Services Corporation as of December 31, 2004, and have issued our report thereon dated February 3, 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 1, 2 and 3 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.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
February 3, 2005

ICBA Financial Services Corporation

Computation of Net Capital Under Rule 15c3-1
December 31, 2004

Net capital:

Total stockholder's equity	\$ 399,255
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Deductions:

Nonallowable assets:

Accounts receivable	126,289
Income tax receivable	10,704
Prepaid expenses and other assets	51,405
Furniture and equipment, net	16,608

205,006

Net capital

<u>\$ 194,249</u>

Aggregate indebtedness:

Total liabilities	\$ 552,044
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Computation of basic net capital requirements:

Minimum net capital required (greater of 6-2/3% of aggregate indebtedness or \$25,000)	\$ 36,803
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Excess net capital	\$ 157,446
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Ratio of aggregate indebtedness to net capital	2.84 to 1
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Statement pursuant to paragraph (d)(4) of rule 17a-5:

There were no differences between the computation of net capital and aggregate indebtedness reported above and that of the Registrant as filed in Part IIA of Form X-17A-5 as of December 31, 2004.

ICBA Financial Services Corporation

**Computation for Determination of Reserve Requirements Under Rule 15c3-3
December 31, 2004**

None, the Company is exempt from rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(i) thereof.

Schedule 3

**Information Relating to Possession of Control Requirements Under Rule 15c3-3
December 31, 2004**

None, the Company is exempt from rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(i) thereof.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control

To the Board of Directors
ICBA Financial Services Corporation
Memphis, Tennessee

In planning and performing our audit of the financial statements and supplemental schedules of ICBA Financial Services Corporation (the Company) for the year ended December 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 compliance with 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 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, 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, the National Association of Securities Dealers, Inc. 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.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
February 3, 2005