

B72

SECUI



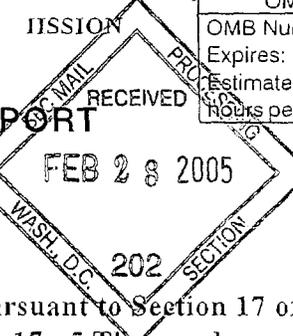
05038056

MISSION

13-11

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden	
Hours per response.....	12.00

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



SEC FILE NUMBER
8- 42532

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: Pro Finance Associates, Inc. OFFICIAL USE ONLY
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
11230 Sorrento Valley Road - Suite 160
(No. and Street)
San Diego, CA 92121
(City) (State) (Zip Code)

FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Michael B. Jones, President (858) 455-8760 x761
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Lichter, Yu + Associates
(Name - if individual, state last, first, middle name)
9191 Towne Centre Drive #406 San Diego, CA 92122
(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 23 2005 E

THOMSON 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)

B-30-A

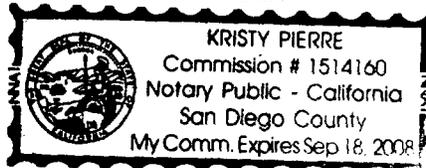
OATH OR AFFIRMATION

I, Michael B. Jones, President, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pro Finance Associates, Inc., 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:

Subscribed and sworn to before me this 24 day of February, 19 2005
Kristy Pierre
NOTARY PUBLIC
in and for the County of San Diego, State of California

Michael B. Jones
Signature
President
Title

Kristy Pierre
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).

PROFINANCE ASSOCIATES, INC.
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

LICHTER, YU & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

LOS ANGELES:
16133 VENTURA BOULEVARD
SUITE 520
ENCINO, CA 91436
(818) 789-0265 TELEPHONE
(818) 784-3292 FACSIMILIE

SAN DIEGO:
9191 TOWNE CENTRE DRIVE
SUITE 406
SAN DIEGO, CA 92122
(858) 320-2808 TELEPHONE
(858) 320-2828 FACSIMILIE

Independent Auditor's Report

The Board of Directors
ProFinance Associates, Inc.
San Diego, California

We have audited the accompanying statements of financial condition of ProFinance Associates, Inc. as of December 31, 2004 and 2003, and the related statements of revenue, expense and changes in stockholders' equity, 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 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 evidence, on a test basis, 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 ProFinance Associates, Inc. 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 U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II and III 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 audits 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.



San Diego, California
February 7, 2005

MEMBER
CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

PROFINANCE ASSOCIATES, INC.
 STATEMENTS OF FINANCIAL CONDITION
 DECEMBER 31, 2004 AND 2003

ASSETS

	2004	2003
Current Assets		
Cash	\$53,720	\$82,475
Fees receivable	31,114	25,000
Deposits	2,172	2,172
Prepaid expenses	0	4,061
Investments	37,256	49,566
Total Current Assets	124,262	163,274
Fixed Assets		
Property and equipment, net of accumulated depreciation of \$32,865 and \$44,098	7,654	4,764
Total Fixed Assets	7,654	4,764
Total Assets	\$131,916	\$168,038

LIABILITIES and STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts payable and accrued expenses	\$1,086	\$3,697
Total Current Liabilities	1,086	3,697
Stockholder's Equity		
Common stock, no par value, authorized 2,500 shares, 1,000 shares issued and outstanding	10,000	10,000
Additional paid in capital	74,750	74,750
Retained earnings	46,080	79,591
Total Stockholder's Equity	130,830	164,341
Total Liabilities and Stockholder's Equity	\$131,916	\$168,038

See Accompanying Notes and Auditor's Report

PROFINANCE ASSOCIATES, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Revenue		
Consulting and financing fees	\$415,480	\$246,000
Reimbursed expenses	4,016	1,299
Total Revenue	<u>419,496</u>	<u>247,299</u>
Expense		
Bank service charges	305	601
Salaries, payroll taxes and benefits	332,032	99,691
Dues and subscriptions	14,459	3,607
Insurance	28,949	26,301
Professional services	22,873	45,289
Referral fee	2,500	4,000
Rent	28,183	25,473
Telephone	7,777	7,733
Travel expenses	20,619	10,946
Other expenses	11,344	65
Total Expenses	<u>469,041</u>	<u>223,706</u>
Income (loss) from operations	<u>(49,545)</u>	<u>23,593</u>
Other (Income) and Expense		
Investment income	(24,937)	(36)
Interest income	(227)	(68)
Unrealized investment income	(2,690)	(13,926)
Bad debt	10,000	0
Depreciation	1,020	1,310
Total Other (Income) and Expense	<u>(16,834)</u>	<u>(12,720)</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(32,711)	36,313
Income tax provision	<u>800</u>	<u>40</u>
NET INCOME (LOSS)	<u><u>(\$33,511)</u></u>	<u><u>\$36,273</u></u>

See Accompanying Notes and Auditor's Report

PROFINANCE ASSOCIATES, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	(\$33,511)	\$24,518
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,020	1,310
Unrealized investment income	(2,690)	(13,926)
Decrease (Increase) from fees receivable	(6,114)	28,000
Decrease (Increase) in prepaid expenses	4,061	(4,061)
(Decrease) Increase in accounts payable	<u>(2,611)</u>	<u>(4,397)</u>
Total Adjustments	<u>(6,334)</u>	<u>6,926</u>
Net cash provided by operations	<u>(39,845)</u>	<u>31,444</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	15,000	0
Purchase of fixed assets	(3,910)	0
Purchase of investments	<u>0</u>	<u>(15,000)</u>
Net cash (used in) investing activities	<u>11,090</u>	<u>(15,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Stockholder's distributions of capital	<u>0</u>	<u>0</u>
Net cash (used in) financing activities	<u>0</u>	<u>0</u>
Net change in cash	<u>(28,755)</u>	<u>16,444</u>
Cash at beginning of period	<u>82,475</u>	<u>66,031</u>
Cash at end of period	<u><u>\$53,720</u></u>	<u><u>\$82,475</u></u>

See Accompanying Notes and Auditor's Report

PROFINANCE ASSOCIATES, INC.
 STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Common Stock		
Balance at beginning of year	\$10,000	\$10,000
Purchases	0	0
Sales	0	0
Balance at end of year	10,000	10,000
Additional paid in capital		
Balance at beginning of year	74,750	74,750
Contributions	0	0
Balance at end of year	74,750	74,750
Retained earnings		
Balance at beginning of year	79,591	63,073
Net income (loss)	(33,511)	24,518
Distributions from accumulated earnings	0	(8,000)
Balance at end of year	46,080	79,591
Total Stockholder's Equity	\$130,830	\$164,341

See Accompanying Notes and Auditor's Report

PROFINANCE ASSOCIATES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. Summary of significant accounting policies and business of the Company:

Organization and Business

ProFinance Associates, Inc. (Company) was incorporated in the state of New Jersey in August 1985. The Company acts as specialized investment bankers for various service businesses throughout the United States, and is a registered broker-dealer and member of the National Association of Securities Dealers, Inc. The basic services of the Company are to assist in arranging financing for client companies and to identify and assist in negotiating merger and acquisition transactions. The Company does not carry customer accounts or handle customer securities.

Revenue and expense recognition:

Revenues are generally recognized by the Company only upon the close of a transaction and when collectibility is reasonably assured. Whether or not a transaction closes, the Company is generally entitled to a reimbursement of out-of-pocket expenses.

Expenses are recognized under the accrual method of accounting.

Cash and cash equivalents:

The Company considers all highly liquid short-term investments with maturities of three months or less to be cash equivalents.

Fixed assets:

Property and equipment are carried at cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets, as follows:

Office Equipment	3 to 10 years
Furniture and Fixtures	3 to 10 years
Leasehold Improvements	Balance of lease at time of acquisition

Use of estimates:

Management uses estimates and assumptions in preparing financial statements in accordance with the accrual basis of accounting. Those estimates and assumptions affect the reported amounts of assets and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Income taxes:

The Company, with the consent of its shareholder, has elected to be treated as an S Corporation under the applicable provisions of the Internal Revenue Code. Accordingly, items of income, loss, credits and deductions are not taxed within the Corporation but are reported on the income tax return of the shareholder for federal tax purposes. Provision has been made for minimum state income taxes.

PROFINANCE ASSOCIATES, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

2. Revenues from significant clients:

The nature of the Company's business is to complete a small number of transactions each year for a limited number of clients. As such, it is normal for there to be revenue concentrations from significant clients. During the year ended December 31, 2004 the Company had five clients which accounted for approximately 80% of its fee revenue. The Company had three clients which accounted for approximately 78% of fee revenue for the year ended December 31, 2003.

3. Fixed assets:

At December 31, 2004 and 2003, Furniture, Leasehold Improvements and Equipment consisted of the following:

	<u>2004</u>	<u>2003</u>
Equipment	\$ 24,924	\$ 33,266
Furniture	9,461	9,461
Leasehold Improvement	<u>6,135</u>	<u>6,135</u>
	40,519	48,751
Accumulated Depreciation	<u>(32,865)</u>	<u>(44,098)</u>
Total	<u>\$ 7,654</u>	<u>\$ 4,764</u>

4. Net capital requirement:

Pursuant to the net capital provisions of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions (SEC Rule 15c-3-1). Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2004 and 2003, the Company had net capital requirements of \$5,000 and net capital of approximately \$51,973 and \$77,103, respectively.

5. Leases:

The Company leases its office space under operating lease on a month to month basis. Total rent expenses paid for the year ending December 31, 2004 and 2003 was \$28,183 and 25,473 respectively.

6. K (2) (ii) Exemption:

The Company relied on Section K (2) (ii) of the Securities and Exchange Commission Rule 15c3-3 to exempt them from the provision of this rule.

PROFINANCE ASSOCIATES, INC.

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
AND INFORMATION RELATING TO THE POSSESSION AND CONTROL
REQUIREMENTS UNDER RULE 15C-3-3
DECEMBER 31, 2004 AND 2003**

Schedule III

ProFinance Associates, Inc. relies on Section K (2) (ii) of the Securities and Exchange Rule 15c3-3 to exempt them from the provisions of these rules.

LICHTER, YU & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

LOS ANGELES:
16133 VENTURA BOULEVARD
SUITE 520
ENCINO, CA 91436
(818) 789-0265 TELEPHONE
(818) 784-3292 FACSIMILIE

SAN DIEGO:
9191 TOWNE CENTRE DRIVE
SUITE 406
SAN DIEGO, CA 92122
(858) 320-2808 TELEPHONE
(858) 320-2828 FACSIMILIE

The Board of Directors
ProFinance Associates, Inc.
San Diego, California

In planning and performing our audit of the financial statements of ProFinance Associates, Inc. as of December 31, 2004, we considered its internal control, including 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 Exchange Act of 1934, we have made a study of the practices and procedures followed by the Company including test of such practices and procedures that we considered relevant to the objectives state in Rule 17a-5(g) in making the periodic computation of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with exemptive provision of Rule 15c3-3. Because the Company does not carry security 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 in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost 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 preparation of financial statements in accordance with U.S. 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 controls 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 the 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 errors or fraud in amount 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 the internal control, including control activities for safeguarding securities, that we consider to be material weakness 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, 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.

Luther, Yu & Associates

San Diego, California
February 7, 2005

PROFINANCE ASSOCIATES, INC.
 COMPUTATION OF NET CAPITAL
 AND AGGREGATE INDEBTEDNESS
 DECEMBER 31, 2004 AND 2003

SCHEDULE I

	2004	2003
EQUITY - END OF YEAR	\$130,830	\$164,341
Less Non Allowable Assets		
Receivable	31,114	25,000
Furniture and Fixtures (net of depreciation)	7,654	4,764
Investments	37,256	49,566
Deposits and Prepaid expense	2,172	6,233
Total Non Allowable Assets	78,196	85,563
Net capital before haircuts	52,634	78,778
(Increase) Decrease in Hair Cuts or Undue Concentration	661	1,675
NET CAPITAL	\$51,973	\$77,103
Total Liabilities	1,086	3,697
Aggregated Indebtedness	1,086	3,697
Net Capital Required	5,000	5,000
Minimum Net Capital Required 6 2/3% of Aggregated Indebtedness	72	246
Minimum Dollar Requirement	5,000	5,000
Net Capital Requirement (greater of the two)	5,000	5,000
Excess Net Capital	46,973	72,103
Excess Net Capital @ 1000% (Net Capital - 10% of Aggregate Indebtedness)	\$51,864	\$76,733

See Accompanying Notes and Auditor's Report

PROFINANCE ASSOCIATES, INC.
 RECONCILIATION OF NET CAPITAL COMPUTATION WITH FOCUS II
 DECEMBER 31, 2004 AND 2003

SCHEDULE II

	2004	2003
NET CAPITAL PER FOCUS II REPORT	\$51,973	\$77,103
Increase (Decrease) in Income due to audit adjustments	2,690	3,512
(Increase) Decrease in nonallowable assets	(2,690)	(3,512)
NET CAPITAL	\$51,973	\$77,103
 RECONCILIATION OF AUDIT ADJUSTMENTS:		
Record additional investment income	\$2,690	\$3,247
Correction to expense account	0	265
Increase (Decrease) in income due to audit adjustments	\$2,690	\$3,512