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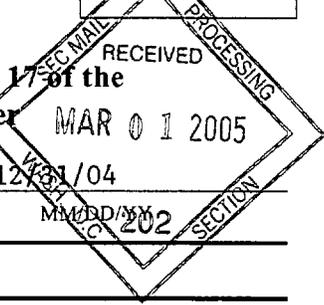
**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-40287

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: Alanar, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

101 S. Main Street

(No. and Street)

Sullivan

Indiana

47882

(City)

(State)

(Zip Code)

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

Vaughn A. Reeves, Sr.

(812) 268-3121

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Bray & Associates CPA's, LLC

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

122 East Washington Street

Greencastle

Indiana

46135

(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
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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Marilou Lawhead, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Alanar, 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:

None

Marilou Lawhead
Signature

Treasurer

Title

Lana D. Alexander

Notary Public

*Resident of Sullivan Co.
My commission expires 12-1-09.*

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 Auditors Report on Internal Accounting Control.

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

ALANAR, INCORPORATED
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
DECEMBER 31, 2004 AND 2003

ALANAR , INCORPORATED

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheet	2
Statement of Income	3
Statement of Cash Flows	4
Statement of changes in Stockholder's Equity	5
Notes to Financial Statements	6-9
Independent Auditors' Report on Internal Accounting Control Required by SEC Rule 17a-5	10-11
Supplemental Information:	
Independent Auditor's Report on Supplemental Information	12
Schedule 1; Reconciliation of Audited and Unaudited Reports	13
Schedule 2; Explanation of Audit Adjustments	14
Schedule 3; Reconciliation of Adjusted Net Capital as Reported Compared to Amount Previously Reported by Broker-Dealer	15

BRAY & ASSOCIATES CPA'S, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

INDIANA CERTIFIED PUBLIC
ACCOUNTANTS SOCIETY

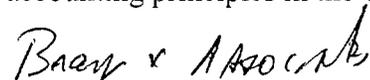
Independent Auditor's Report

To the Stockholders
Alanar, Incorporated

We have audited the balance sheet of Alanar, Incorporated as of December 31, 2004-2003 and the related statements of income, changes in stockholder's equity, and cash flows for the two years 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 generally accepted auditing standards 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 Alanar, Incorporated 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 generally accepted accounting principles in the United States of America.


BRAY & Associates CPA's, LLC

January 28, 2005

ALANAR, INCORPORATED
BALANCE SHEET
DECEMBER 31, 2004-2003
ASSETS

	2004	2003
Current Assets:		
Cash and Cash Equivalents	\$ 325,201	\$ 199,348
Accounts Receivable	176,369	568,226
Clearing Deposit	15,000	15,000
Prepaid Expense	3,862	3,822
Income Taxes Receivable	<u>30,773</u>	<u>0</u>
Total Current Assets	\$ 551,205	\$ 786,396
Net property and equipment at cost (Note 2)	\$ 166,014	194,522
Other Assets:		
Bonds	\$ 42,316	40,237
Notes Receivable-Officer	<u>13,774</u>	<u>55,334</u>
Total Other Assets	56,090	95,571
Total Assets	\$ <u>773,309</u>	<u>1,076,489</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:		
Current Liabilities		
Trade Accounts Payable	\$ 60,851	\$ 58,321
Accrued Payroll & Commissions	76,625	157,936
Payroll Taxes Payable	19,657	21,545
Income Taxes Payable	0	6,646
Current Portion Long-Term Debt	<u>0</u>	<u>12,591</u>
Total Current Liabilities	\$ 157,133	\$ 257,039
Long-Term Debt:		
Deferred Federal Income Tax	\$ 24,099	\$ 38,801
Capital Lease Payable	0	34,247
Less Current Portion	<u>0</u>	<u>(12,591)</u>
Total Long Term Debt	24,099	60,457
Total Liabilities	\$ 181,232	\$ 317,496
Stockholder's Equity:		
Common stock, \$5.00 par value; 5000 shares authorized issued and outstanding	\$ 25,000	\$ 25,000
Addition paid-in capital	154,616	154,616
Retained Earnings	<u>412,461</u>	<u>579,377</u>
Total Stockholder's Equity	\$ 592,077	\$ 758,993
Total Liabilities and Stockholder's Equity	\$ <u>773,309</u>	<u>1,076,489</u>

See Accountant's Report and Accompanying Notes

ALANAR , INCORPORATED
STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004-2003

	2004	2003
Income:		
Commissions/Fees	\$ 2,922,584	\$ 2,793,424
Interest	<u>7,716</u>	<u>14,314</u>
Total Income	\$ 2,930,300	\$ 2,807,738
Expenses:		
Commissions/Salaries	\$ 1,979,446	\$ 1,733,210
Regulatory Fees/License Fees	31,025	17,283
Depreciation/Amortization	37,208	35,497
Taxes Other Than Income	139,192	151,324
General and Administrative	775,094	593,104
Occupancy	<u>149,953</u>	<u>135,978</u>
Total Expenses	\$ 3,111,918	\$ 2,666,396
Other Income and Expense		
Recovery of Bad Debt	\$ <u>0</u>	\$ <u>141,342</u>
Income (Loss) before income taxes	\$ 0	\$ 141,342
Provisions for Federal and State income taxes, current and deferred	<u>14,702</u>	<u>(49,846)</u>
Net income (Loss)	\$ <u>(166,916)</u>	\$ <u>91,496</u>

See Accountant's Report and Accompanying Notes.

ALANAR, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 - 2003

	2004	2003
Cash Flows from Operating Activities:		
Net Income	\$ (166,916)	\$ 91,496
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	3,586	3,201
Depreciation	33,622	32,296
(Increase) Decrease in:		
Accounts Receivable	391,857	(144,580)
Employee Advances/Notes	41,560	(73,545)
Prepaid Expense	(40)	(2,361)
Income Tax Receivable	(30,773)	
Increase (Decrease) in:		
Accounts Payable	2,530	4,423
Accrued Wages	(81,311)	62,377
Payroll Taxes	(1,888)	(2,555)
Income Taxes Payable	(6,646)	(10,772)
Deferred State, Federal Income Tax Payable	<u>0</u>	<u>27,429</u>
Net Cash Provided (Used) by Operating Activities	\$ 185,581	\$ (12,591)
Cash Flows from Investing Activities:		
Purchase of Equipment	(52,724)	(74,491)
Proceeds from Sale of Bonds	0	0
Purchase of Bonds & Accrued Interest	(2,079)	(376)
Loss on Junked Items	0	0
Sale of Assets	<u>33,322</u>	<u>0</u>
Net Cash (Used) by Investing Activities	\$ (21,481)	\$ (74,867)
Cash Flows from Financing Activities:		
Dividends Paid	\$ 0	0
Decrease Long Term Debt	<u>34,247</u>	<u>(34,247)</u>
Net Cash (Used) by Financing Activities	\$ <u>34,247</u>	\$ <u>(34,247)</u>
Net Increase(Decrease) in Cash Cash and Cash Equivalents at beginning of year	\$ 129,853	\$ (53,211)
	<u>199,348</u>	<u>252,559</u>
Cash and Cash Equivalents at end of year	\$ <u>329,201</u>	\$ <u>199,348</u>
Supplemental Disclosures:		
State and Federal Income taxes paid	\$ 0	\$ 20,973
Interest Paid	0	24

See Accountant's Report and Accompanying Notes.

Alanar, Incorporated
Statement of Changes in Stockholder's Equity
for the years ended December 31, 2004, 2003
(Dollars Except Shares Data)

	Common		Additional Paid-In Capital	Retained Earnings	Total Stockholders Equity
	Shares	Amount			
Balance at December 31, 2002	5,000	\$25,000	154,616	487,881	667,497
Net Income-2003				91,496	91,496
Balance at December 31, 2003	5,000	\$25,000	154,616	579,377	758,993
Net Loss - 2004				(166,916)	(166,916)
Balance at December 31, 2004	<u>5000</u>	<u>\$25,000</u>	<u>154,616</u>	<u>412,461</u>	<u>592,077</u>

These notes are an integral part of the preceding financial statements.

ALANAR, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1: Description of business and summary of significant accounting policies.

Alanar Incorporated (the company) located in Sullivan, Indiana was incorporated in Georgia on September 1, 1988 for the purpose of qualifying as a broker-dealer. The Company was licensed as a broker-dealer and began operations on September 2, 1988. The company is licensed in several states as a broker dealer. The company primarily assists churches in preparing bond issues for new construction.

The following is a summary of the more important accounting principles and policies followed by the company.

Revenue Recognition:

Revenue related to commissions earned resulting from the sale of securities is recognized at the "date of closing." Revenue from underwriting is recognized when cash is received.

Income Taxes:

Current and deferred income taxes are provided in amounts sufficient to give effect to timing differences between financial and tax reporting which results from the differences in tax reporting and accrual basis for financial reporting.

Property and Equipment:

Depreciation and amortization of equipment is computed using the straight line method with estimated useful lives ranging from five to seven years. The company renovated its leased property and is depreciating these improvements on a straight-line basis over a range of ten to thirty-nine years.

Expenditures for maintenance and repairs are charged to expense as incurred. Additions and betterments are capitalized. The cost of properties sold or otherwise disposed of, and the accumulated depreciation thereon, is eliminated from the property and reserve accounts, and gains and losses are reflected in income.

Cash Equivalents:

For the purposes of the statement of cash flows, the company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Alanar, Incorporated
Notes to Financial Statements - Continued
December 31, 2004

Note 2-Property and equipment:

Property and equipment consists of the following:

	Depreciable Lives (Years)	2004	2003
Equipment	5-7	\$ 310,230	\$ 308,700
Leasehold Improvements	10-39	57,334	53,193
Less: Accumulated Depreciation and Amortization		(187,567) <u>(13,983)</u>	(156,974) <u>(10,397)</u>
Net property and equipment		<u>\$ 166,014</u>	<u>\$ 194,522</u>

Note 3- Income taxes:

The income tax payable provision for the year ended December 31, 2004-2003 consists of the following:

	2004	2003
Federal, current	0	\$ 2,485
State, current	<u>0</u>	<u>4,161</u>
	0	\$ 6,646

Transactions with related parties:

The company rents it's facilities and certain equipment from Vaughn Reeves, Sr., the President. Rental payments for these assets totals \$ 69,044 for 2004 and \$ 72,696 for 2003.

Pension Plan:

The company began an approved pension plan during 1995. All employees are eligible to participate. The company matches up to 10% of employee deferrals. For the year ended the expense to the company was \$ 11,228 for 2004 and \$ 11,439 for 2003.

Alanar, Incorporated
Notes to Financial Statements- Continued
December 31, 2004

Net capital requirements:

The company is subject to the Securities and Exchange Commission Uniform Net Capital rule 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 8 to 1. At December 31, 2004 the company had net capital of \$ 187,285 which was \$ 176,810 in excess of its required net capital of \$ 10,475 based on aggregate indebtedness.

Leases:

The company has incurred lease obligations in the leasing of equipment at December 31, 2004. Scheduled lease payments are as follows: The building is leased from the President on an annual renewable lease. The lease for 2005 is \$ 49,440.00 and is included in the 2005 amount.

2005	83,033
2006	14,319
2007	2,448
2008	697

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Long term debt:

During 2003 the company entered into several long term capital leases for equipment during the year. The company sold the equipment in 2004.

Alanar, Incorporated
Notes to Financial Statements-Continued
December 31, 2004

Legal:

The company is the defendant in a lawsuit filed in Tennessee on November 18, 2003. The lawsuit alleges that the Company violated certain provisions of the Tennessee Consumer Protection Act. The Company plans to contest the case vigorously. No amounts have been included in these financial statements for any negative results arising from this action. The Company's legal representative makes no opinion on the outcome of this action.

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INDIANA CERTIFIED PUBLIC
ACCOUNTANTS SOCIETY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING
CONTROL REQUIRED BY SEC RULE 17a-5

To the Stockholder
Alanar, Incorporated

In planning and performing our audit of the financial statements of Alanar, Incorporated for the year ended December 31, 2004, we considered its internal control structure, including procedures 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 the internal control structure.

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 (including tests of compliance with such practices and procedures) followed by Alanar, Incorporated that we considered relevant to the objectives stated in rule 17a-5(g) (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a) (11) and the reserve required by rule 15c-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13; (3) in complying with the requirement for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c-3.

The management of the company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures, 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 Commission's above mentioned objectives. Two of the objectives of an internal control structure 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 conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

To the Stockholders
Alanar, Incorporated
Page Two

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement 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 structure, including procedures 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 Commission 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 Commission's objectives.

Bray & Associates CPAs
BRAY & ASSOCIATES CPA'S, LLC

January 28, 2005

SUPPLEMENTAL INFORMATION

BRAY & ASSOCIATES CPA's, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION

To the Stockholders
Alanar, Incorporated

Our report on our audit of the basic financial statements of Alanar, Incorporated for 2004 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule 1, 2 and 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.

Bray & Associates CPA
BRAY & ASSOCIATES CPA's, LLC

January 28, 2005

ALANAR, INCORPORATED
SCHEDULE I
RECONCILIATION OF AUDITED AND UNAUDITED REPORTS
DECEMBER 31, 2004

	As Reported	Adjustment		As Audited
		Debit	Credit	
Assets:				
Cash	\$ 325,101			\$ 325,101
Clearing Account	15,000			15,000
Receivables	318,936		94,058	224,878
Debt Securities	42,316			42,316
Equipment/ Leasehold Improvements	<u>166,014</u>			<u>166,014</u>
Total Assets	\$ <u>867,367</u>			\$ <u>773,309</u>
 Liabilities				
Accounts Payable & Accrued Expense	\$ <u>181,232</u>			\$ <u>181,232</u>
Total Liabilities	\$ 181,232			\$ 181,232
 Stockholder's Equity				
Common Stock	\$ 25,000			25,000
Additional Paid-In Capital	154,616			154,616
Retained Earnings	<u>506,519</u>	94,058		<u>412,461</u>
Total Stockholder's Equity	<u>686,135</u> \$	<u>94,058</u>		<u>592,077</u>
Total Liabilities & Stockholder's Equity	\$ <u>867,367</u> \$	<u>94,058</u> \$	<u>94,058</u> \$	\$ <u>773,309</u>

See Independent Auditor's Report on Supplemental Information.

ALANAR, INCORPORATED
SCHEDULE 2
EXPLANATION OF AUDIT ADJUSTMENTS

	Dollars	
	Debit	Credit
Accounts Receivable		94,058
Retained Earnings	94,058	

See Independent Auditor's Report on Supplemental Information.

ALANAR, INCORPORATED
SCHEDULE 3
RECONCILIATION OF ADJUSTED NET CAPITAL AS REPORTED
COMPARED TO AMOUNT PREVIOUSLY REPORTED BY BROKER-DEALER
DECEMBER 31, 2004

	AS REPORTED	ADJUSTMENTS	AS CORRECTED
Total Ownership	\$ 686,135	\$ 94,058	\$ 592,077
Less Non Allowable	(480,633)	<u>(94,058)</u>	(386,575)
Deferred Tax Liability	<u>24,099</u>		<u>24,099</u>
Net Capital Before Haircuts	\$ 229,601	\$ 0	\$ 229,601
Less Debt Securities	<u>(42,316)</u>		(42,316)
Net Capital	\$ 187,285	0	\$ 187,285
Less: Capital Required Based on Aggregated Indebtedness	<u>10,475</u>	0	<u>10,475</u>
Net Capital In Excess	\$ <u>176,810</u>	\$ <u>0</u>	\$ <u>176,810</u>
Total Liabilities	157,133	0	157,133

See Independent Auditor's Report on Supplemental Information.