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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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 1-1-04 AND ENDING 12-31-04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Stannard Financial Services, LLC

OFFICIAL USE ONLY  
FIRM ID. NO.

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

504 East Main Street  
(No. and Street)  
Pipestone MN 56164  
(City) (State) (Zip Code)

**PROCESSED**  
**MAR 29 2005**  
**THOMSON FINANCIAL**

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Todd W. Morgan 507-825-4300  
(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Meulebroeck, Taubert & Co. PLLP  
(Name — if individual, state last, first, middle name)  
216 East Main, PO Box 707 Pipestone MN 56164  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

SEC MAIL RECEIVED  
FEB 17 2005  
WASH. D.C. 20549

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\*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).

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WJK 3/23

## OATH OR AFFIRMATION

I, Todd W. Morgan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stannard Financial Cervices, LLC, as of December 31, ~~19~~ 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

NOTARY PUBLIC  
KIMBERLY J. RUECK  
NOTARY PUBLIC-MINNESOTA  
My Comm. Exp. Jan. 2, 2007

Kimberly J Rueck  
Notary Public

[Signature]  
Signature  
Registered Principal  
Title

This report\*\* contains (check all applicable boxes):

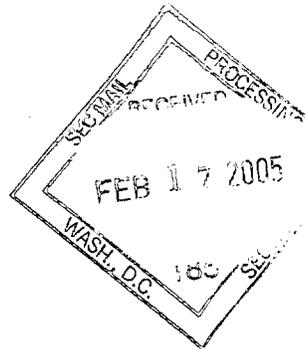
- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims 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 15c3-1 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).

**STANNARD FINANCIAL SERVICES, LLC  
PIPESTONE, MINNESOTA 56164**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2004 AND 2003**



**Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants  
P.O. Box 707  
Pipestone, Minnesota 56164**

Stannard Financial Services, LLC  
Pipestone, Minnesota

**CONTENTS OF REPORT**  
**DECEMBER 31, 2004**

	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Exhibit A        Balance Sheet	2
Exhibit B        Income Statement	3
Exhibit C        Statement of Cash Flows	4
NOTES TO THE FINANCIAL STATEMENTS	5 - 6
SUPPLEMENTARY INFORMATION	
Schedule 1        Net Capital Computation	7
Schedule 2        Schedule of Aggregate Indebtedness/Net Capital Ratio	8
Schedule 3        Schedule of Material Inadequacies	9

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David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA  
Tamara A. Koopman, CPA

*WITH THE FIRM*

Michael J. Reker, CPA  
Crystal R. Leversedge, CPA  
Amanda K. Baarson, CPA  
Michael K. Dubbelde, PA

**INDEPENDENT AUDITOR'S REPORT**

To The Members  
Stannard Financial Services, LLC  
Pipestone, Minnesota

We have audited the accompanying balance sheet of Stannard Financial Services, LLC (a Limited Liability Company) as of December 31, 2004 and 2003 and the related statements of income and members' equity and cashflows for the 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 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 Stannard Financial Services, LLC 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 7, 8, and 9 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Meulebroeck, Taubert & Co., PLLP*  
Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants

January 15, 2005

**BALANCE SHEET**  
**DECEMBER 31, 2004 and 2003**

<b><u>Assets</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b><u>Current Assets</u></b>		
Cash	20,618	18,329
Total Current Assets	<u>20,618</u>	<u>18,329</u>
<b><u>Property and Equipment</u></b>		
Equipment	20,049	20,049
Less accumulated depreciation	<u>(16,032)</u>	<u>(14,404)</u>
Total Property and Equipment	<u>4,017</u>	<u>5,645</u>
Total Assets	<u><u>24,635</u></u>	<u><u>23,974</u></u>
<b><u>Liabilities and Members' Equity</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	772	1,893
Accrued Liabilities	<u>1,832</u>	<u>1,567</u>
Total Current Liabilities	<u>2,604</u>	<u>3,460</u>
<b><u>Members' Equity</u></b>	<u>22,031</u>	<u>20,514</u>
Total Liabilities and Members' Equity	<u><u>24,635</u></u>	<u><u>23,974</u></u>

See accompanying notes to the financial statements.

**STATEMENT OF INCOME AND MEMBERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

<b><u>Revenues</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Commission Received	158,776	118,549
Interest Income	112	183
Refunds / Reimbursements	8,105	12,907
Total Revenues	<u>166,993</u>	<u>131,639</u>
<b><u>Expenses</u></b>		
Salaries and Benefits	113,503	97,409
Advertising	9,317	7,191
Amortization		20,831
Depreciation	1,628	2,801
Miscellaneous	2,359	2,949
Dues and Subscriptions	2,319	2,028
Rent	7,900	9,499
Insurance	1,975	1,730
Licenses and Permits	2,533	2,660
Office Supplies	1,989	2,406
Postage	1,337	1,579
Professional Development	265	188
Professional Fees	3,109	2,398
Property Taxes	2,324	2,174
Repairs	4,143	2,736
Telephone	4,952	4,885
Travel	3,002	2,132
Utilities	2,821	2,407
Total Expenditures	<u>165,476</u>	<u>168,003</u>
Net Income	1,517	(36,364)
Members' Equity-January 1	20,514	47,361
Contributed Capital		9,517
Members' Equity-December 31	<u>22,031</u>	<u>20,514</u>

See accompanying notes to the financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

<b><u>Cash Flows From Operating Activities</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Net Income (Loss)	1,517	(36,364)
Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:		
Depreciation	1,628	2,801
Amortization		20,831
(Increase) Decrease in Commissions Receivable		3,080
(Increase) Decrease in Prepaid Assets		6,137
Increase (Decrease) in Accounts Payable	(1,121)	229
Increase (Decrease) in Accrued Liabilities	265	(601)
Net Cash Provided (Used) By Operating Activities	<u>2,289</u>	<u>(3,887)</u>
 <b><u>Cash Flows From Investing Activities</u></b>		
Purchase of Equipment		(364)
Net Cash Used By Investing Financing Activities	<u>-0-</u>	<u>(364)</u>
 <b><u>Cash Flows From Capital and Related Financing Activities</u></b>		
Members' Contributions		9,517
Net Cash Provided (Used)By Capital and Related Financing Activities	<u>-0-</u>	<u>9,517</u>
 Net Increase (Decrease) in Cash	2,289	5,266
Cash at January 1	<u>32,435</u>	<u>27,169</u>
Cash at December 31	<u><u>34,724</u></u>	<u><u>32,435</u></u>

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**Note 1**

**Summary of Significant Accounting Policies**

This summary of significant accounting policies of Stannard Financial Services, LLC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the members who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**A. Nature of Operations**

Stannard Financial Services, LLC is a fully-disclosing introductory broker dealer. The firm operates under SEC Rule 15C3-3(k)(2)(i) the Customer Protection Rule. Stannard does not hold customer funds or safekeep customer securities. As an introductory broker dealer, Stannard offers various mutual funds, variable and fixed annuities, face amount certificates and insurance products. Sales by the firm are processed by mutual fund and life insurance companies and other intermediary brokers, with commissions revenues retained by Stannard.

**B. Property, Equipment, and Depreciation**

Property and equipment are valued at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation of equipment is provided using the straight-line method for financial reporting and using the modified accelerated cost recovery system (MACRS) for federal income tax purposes as reported on the members' K-1's. For 2004 and 2003, depreciation expense was \$1,628 and \$2,801, respectively, for financial reporting purposes. Useful lives of property and equipment are in a range of 3 to 15 years.

**C. Income Taxes**

The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. The financial statements do not reflect a provision for income taxes.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**Note 1**      **Summary of Significant Accounting Policies - continued**

**E.      Limited Liability of Members**

Liability of the individual members of the company is limited to their investment in the company.

**Note 2**      **Rent**

The company rents its office space and computer. The lease is on a monthly basis with payments of \$500 and \$100 due monthly for the office space and computer, respectively. The office building and computer are owned by LLC member Todd Morgan. The company also rents a postage meter from Pitney Bowes, Inc. This lease requires quarterly payments of \$125.

**Note 3**      **Simple Plan**

During the years ended December 31, 2004 and 2003, the company participated in a Savings Incentive Match Plan for Employees (SIMPLE). The terms of the plan allow employees to contribute a percentage of their compensation, up to \$9,000. The company has elected to match the employees contributions up to a maximum of 2% of the employees compensation. The company match for 2004 and 2003 was \$1,703 and \$1,569, respectively.

**NET CAPITAL COMPUTATION**  
**DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Total Assets	24,635	23,974
Total Liabilities	<u>2,604</u>	<u>3,460</u>
Net Capital	22,031	20,514
Adjustments:		
Property and Equipment	<u>(4,017)</u>	<u>(5,645)</u>
Total Adjustments	<u>(4,017)</u>	<u>(5,645)</u>
Adjusted Net Capital	18,014	14,869
Required Net Capital	<u>5,000</u>	<u>5,000</u>
Excess Net Capital	<u><u>13,014</u></u>	<u><u>9,869</u></u>

No material differences were noted between Net Capital Computation and Focus Report, Form X-17A-5.

**SCHEDULE OF AGGREGATE INDEBTEDNESS/NET CAPITAL RATIO**  
**DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Aggregate Indebtedness	<u>2,604</u>	<u>3,460</u>
Net Capital	<u>18,014</u>	<u>14,869</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>14.46%</u>	<u>23.27%</u>

**SCHEDULE OF MATERIAL INADEQUACIES**  
**DECEMBER 31, 2004**

**Material Inadequacies**

None