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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20540

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

CM

SEC FILE NUMBER
8-41511

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 01/01/05 AND ENDING 12/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BANK FUND EQUITIES INC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

600 SOUTH HWY 169 STE 1800

(No. and Street)

ST LOUIS PARK

(City)

MINNESOTA

(State)

55426

(Zip Code)

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

GREGORY W HECK 651-481-1128 EXT 8

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SAUSEN ROBERT FRANCIS

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

1846 BEECHWOOD AVE

(Address)

ST PAUL

(City)

MINNESOTA

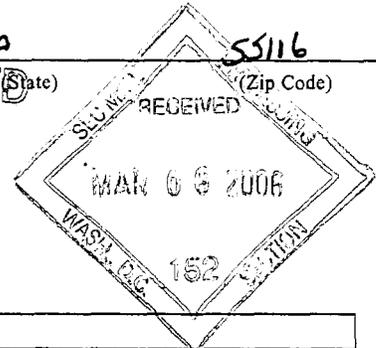
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THOMSON FINANCIAL

55116

(Zip Code)



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)

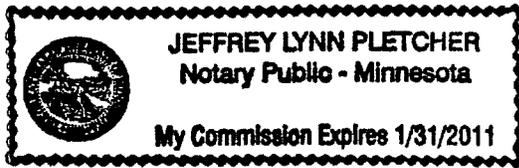
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OATH OR AFFIRMATION

I, Gregory W Hark, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BANK FUND EQUITIES INC, as of 12/31, 2005, 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:

[Signature]
Signature
PRESIDENT
Title

[Signature]
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 15c3-1 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).

BANK FUND EQUITIES, INC.
FINANCIAL STATEMENTS
For the Years Ended December 31, 2005 and 2004

BANK FUND EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2005 and 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bank Fund Equities, Inc.
Minneapolis, Minnesota

I have audited the accompanying balance sheets of Bank Fund Equities, Inc. (an S corporation) as of December 31, 2005 and 2004, and the related statements of income, changes in member's 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. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank Fund Equities, Inc. as of December 31, 2005 and 2004, 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.

My audits were made 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 under the Securities and 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.

 CPA

February 24, 2006

BANK FUND EQUITIES, INC.
BALANCE SHEETS
December 31, 2005 and 2004

| | 2005 | 2004 |
|--|-----------|-----------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 56,127 | \$ 55,197 |
| TOTAL CURRENT ASSETS | 56,127 | 55,197 |
| OTHER ASSETS | | |
| Investments | 12,400 | 12,400 |
| TOTAL OTHER ASSETS | 12,400 | 12,400 |
| TOTAL ASSETS | 68,527 | 67,597 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | 350 | - |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$0.01 par value, 25,000 shares authorized, 500 shares issued and outstanding | 5 | 5 |
| Additional paid-in capital | 48,495 | 48,495 |
| Retained earnings | 19,677 | 19,097 |
| TOTAL STOCKHOLDERS' EQUITY | 68,177 | 67,597 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 68,527 | \$ 67,597 |

BANK FUND EQUITIES, INC.
STATEMENTS OF INCOME
For the Years Ended December 31, 2005 and 2004

| | 2005 | 2004 |
|--|-----------|-----------|
| REVENUES | | |
| Commissions | \$ 29,238 | \$ 31,798 |
| Interest | 1,558 | 666 |
| TOTAL REVENUES | 30,796 | 32,464 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Professional fees | 5,075 | 5,530 |
| Miscellaneous | - | - |
| TOTAL GENERAL AND ADMINISTRATIVE EXPENSES | 5,075 | 5,530 |
| NET INCOME | \$ 25,721 | \$ 26,934 |

BANK FUND EQUITIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2005 and 2004

| | <u>Common Stock</u> | <u>Additional Paid-In Capital</u> | <u>Retained Earnings</u> | <u>Total Stockholders' Equity</u> |
|------------------------------------|-------------------------|---|------------------------------|---|
| Balance, December 31, 2003 | 5 | 48,495 | 163 | 48,663 |
| Distributions paid to shareholders | - | - | (8,000) | - |
| Net income | - | - | 26,934 | - |
| Balance, December 31, 2004 | <u>\$ 5</u> | <u>\$ 48,495</u> | <u>\$ 19,097</u> | <u>\$ 67,597</u> |
| Distributions paid to shareholders | - | - | (25,141) | (25,141) |
| Net income | - | - | 25,721 | 25,721 |
| Balance, December 31, 2005 | <u>\$ 5</u> | <u>\$ 48,495</u> | <u>\$ 19,677</u> | <u>\$ 68,177</u> |

BANK FUND EQUITIES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 25,721 | \$ 26,934 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Change in: | | |
| Accounts receivable | | |
| Accounts payable | 350 | - |
| | <u>26,071</u> | <u>26,934</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| | <u>26,071</u> | <u>26,934</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of stock | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Distributions paid to shareholders | <u>(25,141)</u> | <u>(8,000)</u> |
| NET INCREASE (DECREASE) IN CASH | 930 | 18,934 |
| CASH, BEGINNING OF YEAR | <u>55,197</u> | <u>36,263</u> |
| CASH, END OF YEAR | <u><u>\$ 56,127</u></u> | <u><u>\$ 55,197</u></u> |
| SUPPLEMENTAL CASH FLOWS DISCLOSURES | | |
| Income taxes paid | \$ - | \$ - |
| Interest paid | \$ - | \$ - |

BANK FUND EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

Nature of Business: Bank Fund Equities, Inc. (the Company) is registered as a Minneapolis broker dealer under the Securities Exchange Act of 1934. The Company markets and sells variable annuities to financial institutions throughout the Minnesota via independent brokers.

Commission recognition: The Company recognizes commission income on transactions generated by their independent brokers as of the trade date. Commissions earned and not yet collected are recorded on an accrual basis. The independent brokers' share of commissions is paid directly by the Company's contracted clearinghouse. Accordingly, no commission expense is reflected in the accompanying financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: The Company includes demand deposits in the category of cash and cash equivalents as presented in the cash flow statement.

Revenue Recognition: Commission revenue and related expenses for mutual fund and securities transactions and variable annuity contract purchases are recorded on a trade-date basis.

Use of 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 and disclosures in these financial statements. Actual results could differ from those estimates.

Income taxes: The Company has elected, under Section 1372 of the Internal Revenue Code and similar provisions of the State of Minnesota tax laws, to be taxed as a small business corporation (i.e., an "S-corp."). Income and losses of the Company are passed directly to the shareholders. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

BANK FUND EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 3. NET CAPITAL REQUIREMENTS

The Company, as a registered broker and dealer in securities, is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1).

Under the computation provided by the Uniform Net Capital Rule, the Company is required to maintain net capital equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness. At December 31, 2005, the Company had net capital, as computed under the rule, of \$ 68,177 and its ratio of aggregate indebtedness to net capital was 0 to 1.

NOTE 4. RELATED PARTY TRANSACTIONS

The Company conducts its operations through office facilities provided by a related party. This affiliate provides financial accounting and occupancy to Bank Fund Equities, Inc. at no charge.

BANK FUND EQUITIES, INC.
COMPUTATION OF NET CAPITAL
PURSUANT TO RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2005 and 2004

| | 2005 | 2004 |
|---|----------------------|----------------------|
| Member's Equity | 68,177 | 67,597 |
| Deductions : | 12,400 | 12,400 |
| Net Capital : | <u>\$ 55,777</u> | <u>\$ 55,197</u> |
| Minimum Net Capital Requirement Per Rule 15C-1 (a)(2)(vi) (the greater of \$5,000 or 6 2/3% of aggregate indebtedness) | <u>\$ 5,000</u> | <u>\$ 5,000</u> |
| Aggregate indebtedness | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation with Company's Computation (Included in Part IIA of Form X-17A-5 as of December 31, 2005) | 0 to 1 | 0 to 1 |
| Net capital, as reported in company's Part IIA (unaudited) FOCUS report | 55,777 | 55,197 |
| Net audit adjustments to financial statements | <u>-</u> | <u>-</u> |
| Net capital per above | <u>\$ 55,777</u> | <u>\$ 55,197</u> |

BANK FUND EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

The Company operates on a fully disclosed basis under Rule 15c-1 Subparagraph (a)(2) and does not hold client/customer funds or securities. Thus no reconciliation is necessary.

BANK FUND EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

The Company is exempt from Rule 15c3-3 under subparagraph k(2)(ii) and does not possess, control or otherwise hold client/customer funds or securities.