



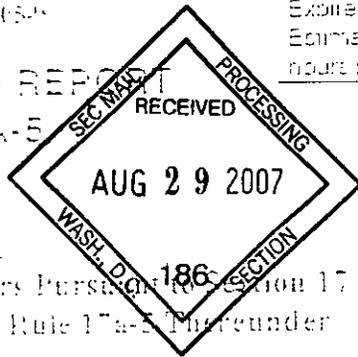
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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



SEC FILE NUMBER
6- 40417

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 07/01/06 AND ENDING 06/30/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Champion Group, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

600 Soterra Boulevard, Suite 230

(No. and Street)

San Antonio

Texas

78255

(City)

(State)

(Zip Code)

BEST AVAILABLE COPY

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

C. David Gartley

210/490-1482

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Darilek, Butler & Associates, PLLC

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

2702 N. Loop 1604 E., Suite 202 San Antonio

Texas

78232

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 07 2007

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)

Handwritten signature

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, C. Daniel Bartley swear (or affirm) that to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Champion Group, Inc. as of June 30, 2007 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 accounts classified secret or that of a customer except as follows:



JESSICA LYNNE WHITE
MY COMMISSION EXPIRES
April 24, 2008

C. Daniel Bartley

Signature

President

Title

Jessica Lynne White
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.
- (o) Independent Auditors' Report on Internal Accounting Control Required

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

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San Antonio, Texas 78232

Phone (210) 979-0055

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Champion Group, Inc.
San Antonio, Texas

We have audited the accompanying statement of financial condition of The Champion Group, Inc. (the Company), as of June 30, 2007, and the related statement of income, changes in stockholders' equity, and cash flows for the year 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 audit.

We conducted our audit 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 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 The Champion Group, Inc. as of June 30, 2007, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

San Antonio, Texas
August 24, 2007



THE CHAMPION GROUP, INC.

Statement of Financial Condition
June 30, 2007

ASSETS

Current Assets:

Cash	\$	37,167
Cash - Restricted for Retirement Plan		6,652
Accounts Receivable - Commissions		17,589
Accounts Receivable - Employees		33,201
Prepaid Expenses		67,309
Total Current Assets		<u>161,918</u>

Fixed Assets:

Office Equipment		94,954
Furniture & Fixtures		14,859
Leasehold Improvements		26,098
Total Fixed Assets		<u>135,911</u>
Accumulated Depreciation		<u>(111,961)</u>
		23,950

Other Assets:

Security Deposits		7,255
Investments		8,983

TOTAL ASSETS	\$	<u><u>202,106</u></u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts Payable - Trade	\$	7,094
Accrued Liabilities		5,248
Commissions Payable		10,478
Income Tax Payable		2,067
Total Current Liabilities		<u>24,887</u>

Long-Term Liabilities:

Deferred Tax Liability		<u>299</u>
Total Liabilities		<u>25,186</u>

Stockholders' Equity:

Common Stock, \$0.01 Par Value, 1,000,000 Shares Authorized, 350,000 Issued and Outstanding		3,500
Additional Paid-In Capital		81,500
Other Comprehensive Income		813
Retained Earnings		91,107
Total Stockholders' Equity		<u>176,920</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	<u><u>202,106</u></u>
--------------------------------------------	----	-----------------------

THE CHAMPION GROUP, INC.

Statement of Income
Year Ended June 30, 2007

Revenues		
Commission Income	\$	3,078,127
Interest Income		<u>1,368</u>
		<u>3,079,495</u>
Expenses		
Advertising		8,874
Business Promotion		50,307
Commissions		2,537,530
Contract Labor		6,657
Depreciation		12,875
Dues and Subscriptions		1,476
Other Taxes		2,726
Insurance - Medical		51,108
Insurance - Liability		8,140
Licenses and Examination Fees		24,659
Office		36,683
Payroll Taxes		109,833
Pension Expense		1,000
Postage and Shipping		8,435
Professional Fees		90,575
Repairs and Maintenance		985
Salaries		96,808
Stock Exchange Fees		136
Storage and Equipment Rental		10,980
Training and Education		2,467
Travel and Entertainment		11,757
Other Expenses		<u>562</u>
		<u>3,074,573</u>
Income (Loss) Before Provision for Income Taxes		<u>4,922</u>
Provision (Benefit) for Income Taxes		
Current		2,067
Deferred		<u>(681)</u>
Total Income Tax Provision (Benefit)		<u>1,386</u>
Net Income (Loss)	\$	<u><u>3,536</u></u>

THE CHAMPION GROUP, INC.

Statement of Changes in Stockholders' Equity
Year Ended June 30, 2007

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance - June 30, 2006	\$ 3,500	\$ 81,500	\$ 870	\$ 87,571	\$ 173,441
Net Income (Loss)	-	-	-	3,536	3,536
Unrealized Gain (Loss) on Investments	-	-	(57)	-	(57)
Balance - June 30, 2007	<u>\$ 3,500</u>	<u>\$ 81,500</u>	<u>\$ 813</u>	<u>\$ 91,107</u>	<u>\$ 176,920</u>

THE CHAMPION GROUP, INC.

Statement of Cash Flows
Year Ended June 30, 2007

Cash Flows from Operating Activities:

Net Income (Loss)	\$	3,536
Adjustments to Reconcile Net Income to Cash Provided (Used) by Operating Activities:		
Depreciation		12,875
Loss (Gain) on Disposals of Assets		183
(Increase) Decrease in:		
Accounts Receivable - Commission		(17,018)
Accounts Receivable - Employees		(18,001)
Security Deposits		172
Prepaid Expenses		(23,195)
Increase (Decrease) in:		
Accounts Payable		5,708
Accrued Liabilities		(38,061)
Commissions Payable		10,478
Income Tax Payable - Current		(2,725)
Deferred Tax Liability		(681)
Net Cash Provided (Used) by Operating Activities		<u>(66,729)</u>

Cash Flows from Investing Activities:

Purchase of Fixed Assets		<u>(7,538)</u>
Net Cash Provided (Used) by Investing Activities		<u>(7,538)</u>

Net Increase (Decrease) in Cash (74,267)

Cash Balance - June 30, 2006 118,086

Cash Balance - June 30, 2007 \$ 43,819

Reconciliation to Statement of Financial Condition:

Cash	\$	37,167
Cash - Restricted for Retirement Plan		<u>6,652</u>
Total Cash	\$	<u>43,819</u>

Supplemental Disclosures For Statement of Cash Flows:

Noncash Investing Activity:

Unrealized loss on investment \$ 57

THE CHAMPION GROUP, INC.

Notes to Financial Statements
June 30, 2007

Note A - Organization and Summary of Significant Accounting Policies

The Champion Group, Inc. (the Company) was incorporated under the laws of the State of Delaware on October 7, 1988 to engage in the broker/dealership of direct participation programs. The Company is also registered to sell mutual funds, stocks, and fully disclosed general securities on a commission basis.

The following is a summary of significant accounting policies of the Company. These accounting policies conform to generally accepted accounting principles (GAAP) and were utilized in preparing the accompanying financial statements.

Fixed Assets

Fixed assets are recorded at cost and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the Modified Accelerated Cost Recovery System (MACRS) method of depreciation prescribed by the Internal Revenue Service for both financial and income tax reporting purposes; this method, which prescribes useful lives for the assets, does not materially differ from GAAP. Depreciation expense for the year ended June 30, 2007 was \$12,875.

Commission Income

The Company recognizes commission income when earned under the terms of the offering memorandums for the programs sold. Under these terms, commissions are earned when available for distribution from escrow or upon the completion of significant events as specified in the offering memorandum.

Commissions Receivable/Payable

Commissions receivable are related to commissions earned by the Company that have not been received. Related to the commissions receivable, there is the commission paid to the broker, which is accrued for as commissions payable. As of June 31, 2007, the Company had commissions receivable and commissions payable of \$17,589 and \$10,478, respectively.

THE CHAMPION GROUP, INC.

Notes to Financial Statements
June 30, 2007

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets or liabilities.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, upon settlement, actual results may differ from estimated amounts.

Advertising Costs

Advertising costs are expensed as incurred and were \$8,874 during the year.

Investments

Investments represent equity securities in publicly traded domestic companies. The investments are held as available for sale by the Company and are recorded at fair value at June 30, 2007.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash represents cash on hand, cash in clearing deposit accounts, and cash in bank depository accounts.

THE CHAMPION GROUP, INC.

Notes to Financial Statements
June 30, 2007

Note B - Related Party Transactions

The Company operates under an arrangement with Venture Exploration Corp. d/b/a Combined Resources Group ("Combined") to provide marketing services for oil and gas ventures that Combined has developed. As part of this arrangement, the Company is provided with office facilities and long distance telephone service at no charge. During the year ended June 30, 2007, the Company received commissions totaling \$3,068,934, from the sale of joint venture interests issued by Combined. The Company had a receivable of \$17,589 due from Combined as of June 30, 2007.

During the year ended June 30, 2007, the Company paid \$15,000 to the father of the President of the Company for professional services.

Note C - Federal Income Taxes

The Company's effective tax rate differs from the expected federal income tax rate as follows:

Tax expense at statutory rate	\$ 738
Permanent Differences	648
Temporary Differences	<u>681</u>
Net Current Tax Expense	<u>\$ 2,067</u>

The Company's deferred tax benefit is composed of the following:

Change in tax effect of:	
Temporary Depreciation Differences	<u>\$ 681</u>
	<u>\$ 681</u>

The components of the deferred tax liability are as follows:

Temporary Differences – Depreciation	<u>\$ 299</u>
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Note D - Major Customers

A substantial portion of the investments sold by the Company are developed by Combined (see Note B). During 2007, commissions from the sale of joint venture interests that Combined issued aggregated \$3,068,934 or 99.7% of total commission income.

THE CHAMPION GROUP, INC.

Notes to Financial Statements
June 30, 2007

Note E - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c 3-1), which requires the maintenance of minimum net capital of the greater of 6 2/3% of aggregate indebtedness or \$5,000. As of June 30, 2007, the Company had net capital of \$36,986, which was \$31,986 in excess of its required net capital of \$5,000. The Company's net capital ratio was .67 to 1.

Note F - Operating Leases

The Company leases office equipment accounted for under operating leases expiring in various years through 2012. For the year ended June 30, 2007, rental expense for those leases was \$9,384.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of 1 year as of June 30, 2007 for each of the remaining years and in the aggregate are:

Year Ended June 30,	Amount
2008	\$ 9,421
2009	6,663
2010	6,600
2011	6,600
2012	5,500
Total minimum future rental payments	<u>\$ 34,784</u>

Note H - Retirement Plan

The Company established a 401(k) retirement plan in July 2000. Eligible employees of the Company may participate in the plan and make voluntary contributions pursuant to a salary reduction agreement. Employees who have completed one year of service with a minimum of 1,000 hours of service worked are eligible. Company contributions to the plan are discretionary. The Company made contributions to the plan of \$1,000 for the fiscal year ended June 30, 2007.

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Fax (210) 979-0058

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION
REQUIRED BY RULE 17A-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

**The Board of Directors
The Champion Group, Inc.
San Antonio, Texas**

We have audited the accompanying financial statements of The Champion Group, Inc. for the year ended June 30, 2007, and have issued our report thereon dated August 24, 2007. 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 I and II 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.

San Antonio, Texas
August 24, 2007



THE CHAMPION GROUP, INC.

Schedule I – Computation of Net Capital Under Rule 15c3-1
Of the Securities and Exchange Commission
June 30, 2007

Net Capital and Computation of Basic Net Capital Requirements

Total Stockholders' Equity	\$ 176,920
Add: Other Deductions or Allowable Credits – Deferred Income Tax Liability	299
Less: Nonallowable Assets	<u>138,896</u>
Net Capital before Haircuts on Securities	38,323
Haircuts on Securities	<u>(1,337)</u>
Net Capital	36,986
Less: Net Assets not Allowable for Net Capital (Greater of 6 2/3% of Aggregate Indebtedness or \$5,000)	<u>5,000</u>
Excess Net Capital	<u>\$ 31,986</u>

Aggregate Indebtedness

Items Included in the Statement of Financial Condition:

Accounts Payable and Accrued Expenses	\$ 22,820
Income Tax Payable – Current	<u>2,067</u>
Total Aggregate Indebtedness	<u>\$ 24,887</u>

Ratio: Aggregate Indebtedness to Net Capital .67 to 1

THE CHAMPION GROUP, INC.

Schedule II - Other Reporting Requirements
June 30, 2007

Computation for Determination of Reserve Requirements and the Disclosure of Information Related to the Possession or Control Requirements Under Rule 15c3-3.

The computation for determination of reserve requirements and the information related to the possession or control requirements under Rule 15c3-3 are not applicable. The Company primarily deals in direct participation programs, mutual funds, and general securities. Since the Company does not hold customer securities or have customer accounts, all customer transactions are cleared through another broker dealer on a fully disclosed basis and therefore qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

Reconciliation of the Computation of Net Capital Under Rule 15c3-1.

Net Capital, as Reported in Part II (Unaudited) Amended FOCUS Report	\$	37,061
Difference		<u>75</u>
Net Capital per Schedule I	\$	<u>36,986</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SECURITIES AND EXCHANGE COMMISSION RULE 17A-5**

**The Board of Directors
The Champion Group, Inc.
San Antonio, Texas**

In planning and performing our audit of the financial statements of The Champion Group, Inc. (the Company) for the year ended June 30, 2007, 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 the 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 (or aggregate debits) 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 and recordation of differences required by rule 17a-13.
2. 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.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3.

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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SECURITIES AND EXCHANGE COMMISSION RULE 17A-5
(CONTINUED)**

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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 June 30, 2007, 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 Security Dealers, 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.

San Antonio, Texas
August 24, 2007



END