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

SEC FILE NUMBER
B- 05371

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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 April 1, 2007 AND ENDING March 31, 2008  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Gaines Financial Corporation

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1919 North Belt East

(No. and Street)

Belleville, IL 62221

(City)

(State)

(Zip Code)

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

Gaines B. Smith

618-233-7509

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Gregson, Russell E.

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

2810 Frank Scott Parkway West Suite 812

(Address)

(City)

Belleville,

(State)

SEC 62223

Mail Processing Section

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Washington, DC 101

CHECK ONE:

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

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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)

**GAINES FINANCIAL CORPORATION**

**FINANCIAL STATEMENTS**

**2008 and 2007**

**GAINES FINANCIAL CORPORATION**

**CONTENTS**

**March 31, 2008 and 2007**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Condition	2
Statements of Operations	3
Statements of Changes in Stockholder's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-7
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission as of March 31, 2008 - Schedule "1"	8



## INDEPENDENT AUDITORS' REPORT

To the Sole Director and Stockholder  
of Gaines Financial Corporation

We have audited the accompanying statements of financial condition of Gaines Financial Corporation as of March 31, 2008 and 2007, and the related statements of operations, changes in stockholder'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. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of Gaines Financial Corporation as of March 31, 2008 and 2007, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule "1" 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 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.

J.W. BOYLE & CO. LTD.

May 23, 2008

**FINANCIAL STATEMENTS**

**GAINES FINANCIAL CORPORATION**

**Statements of Financial Condition  
March 31, 2008 and 2007**

**ASSETS**

	<u>2008</u>	<u>2007</u>
Cash in bank - checking	\$ 100	\$ 100
Cash in bank - savings	<u>5,900</u>	<u>5,900</u>
 Total assets	 <u>\$ 6,000</u>	 <u>\$ 6,000</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Total liabilities	\$ -	\$ -
 Stockholder's equity		
Common stock, no par value; authorized 1,000 shares; 150 shares issued and outstanding	6,000	6,000
Retained Earnings	<u>-</u>	<u>-</u>
 Total stockholder's equity	 <u>6,000</u>	 <u>6,000</u>
 Total liabilities and stockholder's equity	 <u>\$ 6,000</u>	 <u>\$ 6,000</u>

See notes to financial statements.

**GAINES FINANCIAL CORPORATION**

**Statements of Operations  
Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Income		
Commissions received	\$ 93,953	\$ 115,452
Expenses		
Commissions paid	120,986	105,666
Legal and accounting fees	2,590	2,650
Dues and subscriptions	225	845
Licenses and taxes	1,050	900
Office supplies	1,861	2,033
Medical expenses	<u>2,296</u>	<u>3,729</u>
Total expenses	<u>129,008</u>	<u>115,823</u>
(Loss) from operations	(35,055)	(371)
Other income		
Miscellaneous income	<u>35,055</u>	<u>371</u>
Income before provision for income taxes	-	-
Provision for income taxes	<u>-</u>	<u>-</u>
Net income for the year	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

**GAINES FINANCIAL CORPORATION**

**Statements of Changes in Stockholder's Equity  
Years Ended March 31, 2008 and 2007**

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>		
Balances at March 31, 2006	150	\$ 6,000	\$ -	\$ 6,000
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balances March 31, 2007	150	6,000	-	6,000
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balances March 31, 2008	<u>150</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 6,000</u>

See notes to financial statements.

**GAINES FINANCIAL CORPORATION**

**Statements of Cash Flows**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from mutual funds	\$ 93,953	\$ 115,452
Cash expenditures	(129,008)	(115,823)
Miscellaneous income	<u>35,055</u>	<u>371</u>
Net cash flow from operating activities	-	-
Cash and cash equivalents, beginning of year	<u>6,000</u>	<u>6,000</u>
Cash and cash equivalents, end of year	<u>\$ 6,000</u>	<u>\$ 6,000</u>

See notes to financial statements.

# GAINES FINANCIAL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2008 and 2007

1. Significant accounting policies

### **Organization and nature of business**

Gaines Financial Corporation (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and the Illinois Department of Securities. The Company is an Illinois Corporation.

### **Securities transactions**

The Company is engaged solely in the mutual fund business serving clients in the greater St. Louis metropolitan area. All mutual fund transactions are conducted on an application way basis. At no time does the Company have constructive receipt of clients cash or securities.

### **Commissions**

Commissions income is recorded by the Company when received from the mutual fund companies.

### **Income taxes**

The Company is treated as a C-Corporation for income tax purposes. Since inception in 1970, the Company has periodically paid out all net income as commissions and therefore has had no federal or state income tax liability.

### **Cash flows**

For the purpose of the Statements of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business.

2. SEC Rule 15c3-3

At March 31, 2008, the Company was in compliance with the exemptive provisions of SEC Rule 15c3-3(k)(1) and no facts came to our attention indicating that such condition had not been complied with since the last audit.

3. Internal control

There were no material inadequacies in the Company's internal accounting controls.

4. Computation of net capital

The only equity of the Company is \$6,000 of authorized, issued and outstanding common stock.

There are no material differences in the computation of net capital under Rule 15c3-1, therefore a reconciliation is not necessary pursuant to Rule 17a-5(d)(4).

**GAINES FINANCIAL CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

5. Miscellaneous income

Miscellaneous income includes a special one time payment of \$35,000 received from the Financial Industry Regulatory Authority (FINRA) in August 2007 as a result of the consolidation of the NASD and NYSE Member Regulation.

**SUPPLEMENTARY INFORMATION**

## GAINES FINANCIAL CORPORATION

Schedule of Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission as of  
March 31, 2008

Net capital	
Total stockholder's equity	\$ 6,000
Additions and deductions	<u>          -</u>
Net capital	<u>\$ 6,000</u>

**END**