

RMS

SEC
Mail Processing
Section
DEC 29 2017
Washington DC
406



17003341

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	March 31, 2016
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-37809

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 11/01/16 AND ENDING 10/31/17
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CALLAHAN FINANCIAL SERVICES, INC.

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

1001 CONNECTICUT AVENUE NW, SUITE 1001

(No. and Street)

WASHINGTON

(City)

DISTRICT OF COLUMBIA

(State)

20036

(Zip Code)

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

JAY JOHNSON

(202)-223-3920

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

CliftonLarsonAllen LLP

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

1966 Greenspring Drive, Suite 300

(Address)

Timonium

(City)

Maryland

(State)

21093

(Zip Code)

Securities and Exchange Commission
Trading and Markets

CHECK ONE:

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

JAN 02 2018

FOR OFFICIAL USE ONLY	RECEIVED

*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 exemption. See Section 204.17a-5(e)(2)

SEC 1410 (06-02)

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

E.C.

OATH OR AFFIRMATION

I, JAY JOHNSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CALLAHAN FINANCIAL SERVICES, INC., as of OCTOBER 31, 2017, 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
Executive Vice President Title

City of Washington
State of DC

The foregoing instrument was acknowledged before me this 28th day of December, 2017, by Samantha C. Grayck

[Signature]
Notary Public

My commission expires 10/31, 2022



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).

CALLAHAN FINANCIAL SERVICES, INC.
Washington, D.C.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION PURSUANT TO RULE 17a-5
UNDER THE SECURITIES EXCHANGE ACT OF 1934
October 31, 2017 and 2016**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	3
Balance Sheets.....	4
Statements of Earnings	5
Statements of Shareholder's Equity.....	6
Statements of Cash Flows	7
Notes to Financial Statements	8
SUPPLEMENTAL INFORMATION	13
Schedule I - Computation of net Capital Under Rule 15c3-1	14
Schedule II - Computation for Determination of Reserve Requirements Under Rule 15c3-316.....	16
Schedule III - Information for Possession or Control Requirements under Rule 15c3-3.....	17



CliftonLarsonAllen LLP
CLAconnect.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Callahan Financial Services, Inc.
Washington, D.C.

We have audited the accompanying balance sheet of Callahan Financial Services, Inc. (the Company) as of October 31, 2017 and 2016, and the related statements of earnings, shareholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 audits provide 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 Company as of October 31, 2017 and 2016, 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.

The supplemental information (Supporting schedules that include Part II or Part IIA of Form X-17A-5 (§ 249.617 of this chapter), a Computation of Net Capital Under § 240.15c3-1, a Computation for Determination of the Reserve Requirements under Exhibit A of § 240.15c3-3, and Information Relating to the Possession or Control Requirements Under § 240.15c3-3, has been subjected to audit procedures performed in conjunction with the audits of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the

Board of Directors and Stockholders
Callahan Financial Services, Inc.

supplemental information (information (Supporting schedules that include Part II or Part IIA of Form X-17A-5 (§ 249.617 of this chapter), a Computation of Net Capital Under § 240.15c3-1, a Computation for Determination of the Reserve Requirements under Exhibit A of § 240.15c3-3, and Information Relating to the Possession or Control Requirements Under § 240.15c3-3, is fairly stated, in all material respects, in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 26, 2017

FINANCIAL STATEMENTS

CALLAHAN FINANCIAL SERVICES, INC.
BALANCE SHEETS
October 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 251,266	\$ 237,755
Accounts receivable:		
Related party	96,937	65,067
Other	1,545	1,568
Investment in limited liability limited partnership (\$10,100 investment net of \$10,100 equity in cumulative losses)	-	-
Other assets	8,460	23,665
TOTAL ASSETS	\$ 358,208	\$ 328,055
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable:		
Related party	\$ 78,346	\$ 58,273
Other	836	833
Total liabilities	79,182	59,106
Shareholder's Equity		
Capital stock, no par value; \$150 stated value; 100 shares authorized, issued and outstanding	15,000	15,000
Additional paid-in capital	562,180	557,926
Accumulated deficit	(298,154)	(303,977)
Total shareholder's equity	279,026	268,949
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 358,208	\$ 328,055

The accompanying notes are an integral part of these financial statements.

CALLAHAN FINANCIAL SERVICES, INC.
STATEMENTS OF EARNINGS
Year Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
INCOME		
Reimbursements for operating expense	\$ 877,702	\$ 740,102
Distribution fees	8,354	9,751
Dividend Income	9,078	-
Interest income	<u>143</u>	<u>70</u>
Total income	<u>895,277</u>	<u>749,923</u>
EXPENSES		
Contract services	820,270	683,919
Regulatory and compliance	12,193	12,804
Other	<u>45,239</u>	<u>43,379</u>
Total expenses	<u>877,702</u>	<u>740,102</u>
EARNINGS BEFORE INCOME TAXES	17,575	9,821
INCOME TAXES	<u>4,254</u>	<u>2,323</u>
NET EARNINGS	<u>\$ 13,321</u>	<u>\$ 7,498</u>

The accompanying notes are an integral part of these financial statements.

CALLAHAN FINANCIAL SERVICES, INC.
STATEMENTS OF SHAREHOLDER'S EQUITY
Year Ended October 31, 2017 and 2016

	<u>Number of Shares</u>	<u>Capital Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholder's Equity</u>
Balance - October 31, 2015	100	15,000	455,603	(298,733)	171,870
Cash dividends paid	-	-	-	(12,742)	(12,742)
Capital contribution	-	-	102,323	-	102,323
Net earnings	-	-	-	7,498	7,498
Balance - October 31, 2016	<u>100</u>	<u>\$ 15,000</u>	<u>\$ 557,926</u>	<u>\$ (303,977)</u>	<u>\$ 268,949</u>
Cash dividends paid	-	-	-	(7,498)	(7,498)
Capital contribution	-	-	4,254	-	4,254
Net earnings	-	-	-	13,321	13,321
Balance - October 31, 2017	<u>100</u>	<u>\$ 15,000</u>	<u>\$ 562,180</u>	<u>\$ (298,154)</u>	<u>\$ 279,026</u>

The accompanying notes are an integral part of these financial statements.

CALLAHAN FINANCIAL SERVICES, INC.
STATEMENTS OF CASH FLOWS
Year Ended October 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 13,321	\$ 7,498
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Income taxes paid by parent and treated as a noncash capital contribution	4,254	2,323
Effects of changes in operating assets and liabilities:		
Accounts receivable		
Related party	(31,870)	40,713
Other	23	404
Other assets	15,205	(18,917)
Accounts payable		
Related party	20,073	(2,052)
Other	3	(331)
	<u>21,009</u>	<u>29,638</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from parent	-	100,000
Dividends paid to parent	(7,498)	(12,742)
	<u>13,511</u>	<u>116,896</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,511	116,896
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	237,755	120,859
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 251,266	\$ 237,755

The accompanying notes are an integral part of these financial statements.

CALLAHAN FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2017 and 2016

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Callahan Financial Services, Inc. (the Company), was incorporated on March 13, 1987, for the purpose of serving as the general partner (with an initial 15% ownership interest) in Callahan Credit Union Financial Services LLLP (the Partnership or CUFSLP, see Note 2). The Partnership was organized to serve as the administrator of the Trust for Credit Unions (the Trust), a diversified management investment company for investment by state and federally chartered credit unions. In addition to serving as the general partner of the Partnership, the Company acts as the distributor of the units of the portfolios of the Trust and receives revenue for marketing services it provides to the Trust. The Company is a wholly-owned subsidiary of Callahan & Associates, Inc. (the Parent).

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, the Company claims an exemption from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934. The Company has claimed exemption from the provisions of Rule 15c3-3, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(1) of Rule 15c3-3.

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates in Preparing Financial Statements

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions when preparing its financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes cash, deposits in financial institutions and highly liquid mutual fund investments. For these instruments, the carrying amount approximates fair value.

Accounts Receivable - Other

Accounts receivable - other consists mainly of commissions due to the Company during the years ended October 31, 2017 and 2016 related to brokerage income. Accounts are regularly assessed for collectability and allowances are established for doubtful accounts. There was no allowance for the years ended October 31, 2017 and 2016.

This information is an integral part of the accompanying financial statements.

CALLAHAN FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment and Earnings in Limited Liability Limited Partnership

The Company accounts for its investment in the limited liability limited partnership using the equity method. Under the equity method, the Company recognizes its respective percentage of earnings in the limited liability limited partnership.

When a general partner controls a limited partnership and the limited partners have certain rights, a sole general partner in a limited partnership would be presumed to control that limited partnership, and therefore, would be required to include the limited partnership in its consolidated financial statements, regardless of the extent of the sole general partner's ownership interest in the limited partnership, unless the presumption of the general partner's control can be overcome.

Section 11.01 of the Amended and Restated Certificate and Agreement of Limited Partnership provides the limited partners with substantive rights in that a majority in interest of the limited partners has the right, upon thirty days prior written notice given to the general partner and all limited partners, to remove the general partner without cause. Company management asserts that the rights of the limited partners are substantive, and therefore, would overcome the presumption of control (and consolidation) by the sole general partner.

Reimbursements for Operating Expenses

Under the terms of the Certificate and Agreement of Limited Partnership, the Company's incurred operating expenses are reimbursed by the Partnership. The Company recognizes these reimbursements received as revenue in the statement of earnings at the point that a valid expense has been incurred.

Distribution fees

Distribution fees are commissions earned by the Company for administrative support for and distributing units of the Trust. They are recognized as income monthly based on balances in the investor share class of the Trust.

NOTE 2 – INVESTMENT IN LIMITED LIABILITY LIMITED PARTNERSHIP

The Company has a 20% interest in the Partnership, which includes 15% as general partner and 5% investment as the sole Class B limited partner. The Company continues to serve as the general partner to the Partnership, while the majority interest belongs to various credit unions and credit union service organizations that serve as limited partners. The net profits and losses of the Partnership are allocated among the partners in accordance with the terms of the Certificate and Agreement of Limited Partnership, as amended. Should the Partnership be terminated, net assets available for distribution will be distributed first in proportion to the partners' net capital accounts until such capital accounts have been reduced to zero and then to the partners in accordance with their respective participation percentages.

This information is an integral part of the accompanying financial statements.

CALLAHAN FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2017 and 2016

NOTE 2 – INVESTMENT IN LIMITED LIABILITY LIMITED PARTNERSHIP (CONTINUED)

Individual capital accounts are maintained for each partner of the Partnership. Earnings and losses of the Partnership are generally allocated among the partners as follows: A) general partner - 15%; B) Class A limited partners - 80%; and C) Class B limited partner - 5%. However, the terms of the Certificate and Agreement of Limited Partnership, as amended, preclude allocating any further losses to a partner or class of partners once the partner's capital account reaches zero, as long as another partner or class of partners maintains a positive capital balance. In accordance with partnership dividend policy, all net income in excess of those allocated to recover partner capital contributions are distributed as dividends to the active partners consistent with their partnership interests. These allocations are in accordance with Section 704(b) of the Internal Revenue Code. The Partnership made a distribution related to 2016 in the amount of \$9,078.

The Company has suspended the equity method of accounting for its investment in the Partnership as the Company's share of the losses exceeds the carrying amount of the investment.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company shares office space with and obtains clerical support from its parent, Callahan & Associates, Inc., which at the discretion of management, charges the Company for certain costs based on an expense-sharing agreement. Under the terms of the Certificate and Agreement of Limited Partnership, the majority of expenses charged to the Company by Callahan & Associates, Inc. are in turn reimbursed by the Partnership. The Company is required to reflect reimbursements received for expenses incurred as revenue in the statements of earnings. These related party revenue and expense transactions are non-cash transactions. Entries are made on both the Company's and the Partnership's books to record these transactions, but there are no cash funds moved between the entities for these transactions.

Revenue and expenses recorded relating to the reimbursement of expenses by the Partnership under the terms of this agreement for the years ended October 31, 2017 and 2016 were \$877,702 and \$740,102, respectively. The Partnership also pays regulatory compliance costs incurred by the Company in fulfilling its responsibility as general partner of the Partnership.

The Company had funds on deposit with the NIH Federal Credit Union, a limited partner of the Partnership, totaling \$251,266 and \$235,743 as of October 31, 2017 and 2016, respectively.

The Company had accounts receivable due from the Partnership of \$96,937 and \$65,067 related to amounts billed under the expense-sharing agreement at October 31, 2017 and 2016, respectively. The Company did not have accounts payable due to the Partnership at October 31, 2017 and 2016.

The Company had accounts payable due to Callahan and Associates of \$78,346 and \$58,273 related to amounts billed under the expense-sharing agreement at October 31, 2017 and 2016, respectively. The Company did not have accounts receivable due from Callahan and Associates at October 31, 2017 and 2016.

This information is an integral part of the accompanying financial statements.

CALLAHAN FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2017 and 2016

NOTE 4 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At October 31, 2017, the Company had net capital of \$172,084, which was \$167,084 in excess of its required net capital. The Company's net capital ratio was 0.46 to 1 at October 31, 2017.

NOTE 5 – FOCUS REPORT

There are no material differences between these financial statements and the October 31, 2017 amended Financial and Operational Combined Uniform Single (FOCUS) report filed with the FINRA.

NOTE 6 – INCOME TAXES

The Company files a consolidated federal and state income tax return with its Parent. The Company has elected to allocate its portion of the current taxes by treating its operations as if it were a stand-alone taxpayer. The provision for income tax differs from the provision that would result from applying federal statutory rates to income before provision for income tax due primarily to the effect of state taxes. The Company has recorded contributions of capital from the Parent of \$4,254 and \$2,323 for the years ended October 31, 2017 and 2016, respectively as a result of the current income tax provision, as the Parent will pay federal income taxes on behalf of the Company.

The Company has adopted the Financial Accounting Standard Board's (FASB) requirements for accounting for uncertain tax positions. The Company determined that it was not required to record a liability related to uncertain tax positions as of October 31, 2017 and 2016.

The Company recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Company does not have any amounts accrued relating to interest and penalties as of October 31, 2017 and 2016.

The consolidated federal and state income tax returns of the Parent for 2017, 2016 and 2015 are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

This information is an integral part of the accompanying financial statements.

CALLAHAN FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2017 and 2016

NOTE 7 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On May 2014, the Financial Accounting Standards Board (“FASB”) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is evaluating the impact of the amended revenue recognition guidance on its consolidated financial statements. There have been no other newly issued or newly applicable accounting pronouncements that have, or are expected to have, a significant impact on the Company's consolidated financial statements.

NOTE 8 - SUBSEQUENT EVENTS

Management evaluated subsequent events through December 22, 2017, the date the financial statements were available to be issued. Events or transactions occurring after October 31, 2017, but prior to December 22, 2017, that provided additional evidence about conditions that existed at October 31, 2017 have been recognized in the financial statements for the year ended October 31, 2017.

SUPPLEMENTAL INFORMATION

CALLAHAN FINANCIAL SERVICES, INC.
SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1
October 31, 2017

COMPUTATION OF NET CAPITAL

1. Total ownership equity from statement of financial condition		\$	279,026
2. Deduct: Ownership not allowable for net capital			-
3. Total ownership equity qualified for net capital			279,026
4. Add:			
A Liabilities subordinated to claims of general creditors allowable in computation of net capital			-
B Other deductions or allowable credits			-
5. Total capital and allowable subordinated liabilities			279,026
6. Deductions and/or charges			
A Total nonallowable assets from Statement of Financial Condition			
1 Accounts receivable - related party	\$	96,937	
2 Accounts receivable - other		1,545	
3 Other assets		8,460	
			(106,942)
7. Other additions and/or allowable credits			-
8. Net capital before haircuts on securities positions			172,084
9. Haircuts on securities:			
A Contractual securities commitments			-
B Subordinated securities borrowings			-
C Trading and investment securities:			
1 Exempted securities		-	
2 Debt securities		-	
3 Options		-	
4 Other securities		-	
			-
10. Net capital		\$	172,084

CALLAHAN FINANCIAL SERVICES, INC.
SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1
October 31, 2017
(continued)

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total aggregate indebtedness included in statement of financial condition	\$ 79,182
17. Additions	-
18. Deduct: Adjustment based on Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	<u>-</u>
19. Total aggregate indebtedness	<u>\$ 79,182</u>
20. Ratio of aggregate indebtedness to net capital (line 19 divided by line 10)	46.01%

COMPUTATION OF NET CAPITAL

11. Minimum net capital required (6 2/3% of line 19)	<u>\$ 5,279</u>
12. Minimum dollar net capital requirement of reporting broker	<u>\$ 5,000</u>
13. Net capital requirement (greater of line 11 or 12)	<u>\$ 5,279</u>
14. Excess net capital (line 10 less line 13)	<u>\$ 166,805</u>
15. Net capital less greater of 10% of aggregate indebtedness or 120% of minimum dollar net capital	<u>\$ 164,166</u>

Statement Pursuant to Rule 17a-5(d)(4)

There are no material differences between the computation of net capital required pursuant to Rule 15c3-1 contained in the supplementary information to the financial statements and the corresponding computation prepared by, and included in, the Company's unaudited amended Part II FOCUS Report filing as of October 31, 2017.

CALLAHAN FINANCIAL SERVICES, INC.
SCHEDULE II - COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15C3-3
October 31, 2017

The Computation for Determination of Reserve Requirements for Broker and Dealers of Reserve Requirements for Broker Dealers Pursuant to Rule 15c3-3 under Securities Exchange Act of 1934 is not therein as the Company claims exemption pursuant to section (k)(p1), as the Company does not carry customers' accounts on its books.

CALLAHAN FINANCIAL SERVICES, INC.
SCHEDULE III - INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15C3-3
October 31, 2017

Information relating to possession or control requirements is not included therein as the Company claims exemption pursuant to Section (k)(1), since the Company does not carry customers' accounts on its books.