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

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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 04/01/17 AND ENDING 03/31/18
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Avalon Investment & Securities Group, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2013 E. Avalon Avenue

(No. and Street)

Muscle Shoals

AL

35661

(City)

(State)

(Zip Code)

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

Das A. Borden

256-381-7840

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Byrd, Smalley & Adams, PC

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

P. O. Box 2179

Decatur

AL

35602

(Address)

(City)

(State)

(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)

BU

OATH OR AFFIRMATION

I, Das A. Borden, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Avalon Investment & Securities Group, Inc., as of March 31, 2018, 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:

Das A. Borden
Signature

President/CEO
Title

John Springer
Notary Public *My Commission expires 9-6-2021*

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).

AVALON INVESTMENT & SECURITIES GROUP, INC.

**Financial Statements and Supplemental Schedules
Required by the U.S. Securities and Exchange Commission**

Including Independent Auditor's Report Thereon

For the Year-Ended March 31, 2018

Contents

Independent Registered Accounting Firm	1
Financial Statements	
Statement of Financial Condition	2
Statement of Income	3
Statement of Cash Flows	4
Statement of Changes in Stockholder's Equity	5
Statement of Changes in Subordinated Liabilities	6
Notes to Financial Statements	7 - 10
Supplementary Schedules	11
Computation of Net Capital - Schedule 1	12 - 13
Computation for Determination of Reserve Requirements – Schedule II	14
Statement Related to Exemptive Provision (Possession and Control) – Schedule III	15
Exemption Report	16
Auditors Review of Exemption Report	17

**Byrd, Smalley
& Adams, P.C.**
Certified Public Accountants & Consultants

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of
Avalon Investment & Securities Group, Inc.
Muscle Shoals, Alabama

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Avalon Investment & Securities Group, Inc. as of March 31, 2018, the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Avalon Investment & Securities Group, Inc. as of March 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of Avalon Investment & Securities Group, Inc.'s management. Our responsibility is to express an opinion on Avalon Investment & Securities Group, Inc.'s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Avalon Investment & Securities Group, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Supplemental Information

The Computation of Net Capital Under Rule 15c3-1 (Schedule I), Computation for Determination of Reserve Requirements Under Rule 15c3-3 (Schedule II), and the Information for Possession or Control Requirements Under Rule 15c3-3 (Schedule III) has been subjected to audit procedures performed in conjunction with the audit of Avalon Investment & Securities Group, Inc.'s financial statements. The supplemental information is the responsibility of Avalon Investment & Securities Group, Inc.'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 supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Company's auditor since 2012.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
May 30, 2018

Avalon Investment & Securities Group, Inc.
Financial Statements
Statement of Financial Condition
As of and for the Year-Ended March 31, 2018

ASSETS

Current Assets	
Cash	\$ 13,484
Accounts Receivable	81,873
Prepaid expenses	4,640
Investments	<u>25,866</u>
Total Current Assets	<u>125,863</u>
TOTAL ASSETS	<u>125,863</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Payable to brokers	66,423
Accounts payable and accrued liabilities	<u>105</u>
Total Current Liabilities	66,528
Stockholders' Equity	
Common Stock, \$10.00 par value per share, 400 shares authorized, 100 shares issued & Outstanding	1,000
Additional paid in capital	66,579
Retained Earnings (loss)	(26,010)
Accumulated Other Comprehensive Income	<u>17,766</u>
	<u>59,335</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 125,863</u>

The accompanying notes are an integral part of these financial statements

AVALON INVESTMENT & SECURITIES GROUP, INC.

Financial Statements

Statement of Income

As of and for the Year-Ended March 31, 2018

Revenue	
Commission and Concessions:	
Variable Products	\$ 249,478
Mutual Funds	194,208
Life Insurance	<u>26,333</u>
Total Revenue	<u>470,019</u>
Operating Expenses	
Administration expenses	41,030
Audit and tax preparation	11,650
Bank Charges	601
Commissions	242,099
Consulting	133,150
Contract Labor	6,581
Crowdfunding	1,165
Dues and assessments	11,866
Internet	2,093
Licenses and permits	908
Miscellaneous expenses	357
Other taxes	553
Postage, printing, delivery and reproduction	5,115
Professional Fees	8,473
Rent	11,183
Repairs	603
Supplies	1,751
Telephone	9,921
Utilities	<u>959</u>
Total Operating Expenses	<u>490,058</u>
Income (Loss) from Operations	<u>(20,039)</u>
Other Income	
Interest Income	1
Dividends – NASDAQ Stock	227
Administrative processing fees	15,685
Other Income	<u>680</u>
Total Other Income	<u>16,593</u>
Income (Loss) Before Income Taxes	<u>(3,446)</u>
Provision for Income Taxes	-
Net Income (Loss)	(3,446)
Other Comprehensive Income	
Unrealized gain on securities	<u>5,031</u>
TOTAL Comprehensive Income (Loss)	<u>\$ 1,585</u>

The accompanying notes are an integral part of these financial statements

AVALON INVESTMENT & SECURITIES GROUP, INC.

Financial Statements

Statement of Cash Flows

As of and for the Year-Ended March 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income (Loss)	\$ 3,446
Adjustments to reconcile net income to net cash Provided by operating activities:	
(Increase) decrease in accounts receivable	6,956
(Increase) decrease in prepaid expenses	(3,473)
Increase (decrease) in accounts payable	(1,504)
Increase (decrease) in commission payable	(4,635)
Increase (decrease) in retained earnings	<u>123</u>
 Total adjustments	 (2,533)
 Net cash provided (used) by operating activities	 <u>(5,979)</u>
 Net Increase (decrease) in cash and cash equivalents	 (5,979)
 Cash and cash equivalents at beginning of year	 <u>19,463</u>
 Cash and cash equivalents at end of year	 <u>\$ 13,484</u>

The accompanying notes are an integral part of these financial statements

AVALON INVESTMENT & SECURITIES GROUP, INC.

Financial Statements

Statement of Changes in Stockholders Equity

As of and for the Year-Ended March 31, 2018

Stockholders' Equity, Beginning of Period	\$ 57,627
Adjustment	123
Total Comprehensive Income (loss)	<u>1,585</u>
Stockholders' Equity, End of Period	<u>\$ 59,335</u>

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

AVALON INVESTMENT & SECURITIES GROUP, INC.

Financial Statements

Statement of Changes In Subordinated Liabilities

As of and for the Year-End March 31, 2018

Balance, Beginning of Period	\$ -
Increases (Decreases)	<u>-</u>
Balance, End of period	<u>\$ -</u>

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

AVALON INVESTMENT & SECURITIES GROUP, INC.

Notes to Financial Statements

As of and for the Year-Ended March 31, 2018

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

The Company is an Alabama corporation operating as a broker/dealer licensed to sell mutual funds and various insurance products (including variable annuities, variable universal life, etc.) private placements and direct participation programs. The Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Company prepares its financial statements using U.S. generally accepted accounting principles on the accrual basis.

Use of Estimates: The preparation of financial statements in conformity with U.S. 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.

Revenue Recognition: The Company earns commissions from the purchase of investment products by its customers. It also receives additional compensation, on an annual, quarterly, or monthly basis, for continuing management of the assets.

Cash and Cash Equivalents: For the purposes of cash flows, the Company considers All short-term investments with a maturity of three months or less to be cash equivalents.

Income Taxes: The amount of current or deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits, if material, are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ACS 740, Income Taxes. Under that guidance, The Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Advertising: The Company follows the policy of charging the costs of advertising to Expense as incurred.

AVALON INVESTMENT & SECURITIES GROUP, INC.
Notes to Financial Statements
As of and for the Year-Ended March 31, 2018

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at March 31, 2018

Mutual Fund Commissions	\$	4,623
Variable Annuity Commissions		0
Trails Commissions – Mutual Funds		44,772
Trails Commissions – Variable Annuities		32,478
Total Accounts Receivable	\$	<u>81,873</u>

All commissions are deemed collectible by management; therefore, there is no Allowance for doubtful accounts.

NOTE 4 INVESTMENTS IN EQUITY SECURITIES

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Available for Sale Equity Securities	8,100	17,766		25,866

Available for sale securities are carried in the financial statements at fair value. Net unrealized holding gain on available-for-sale securities in the amount of \$5,031 for the year ended March 31, 2018 has been included in accumulated other comprehensive income.

NOTE 5 FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (FASC) Section 820-10 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASC Section 820-10, are used to measure fair value.

AVALON INVESTMENT & SECURITIES GROUP, INC.

Notes to Financial Statements

As of and for the Year-Ended March 31, 2018

NOTE 5 FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy prioritizes the inputs to valuation techniques and used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.

The following tables present the Company's fair value hierarchy for those assets description.

	Quoted Prices In Active Markets <u>3-31-2018</u> <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total Gains (losses)
Recurring fair value measurements				
Available for sale securities:				
Equity securities	<u>25,866</u>	<u>25,866</u>		<u>17,766</u>

NOTE 6 FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. The Company's revenues are dependent upon the fluctuations of the stock market. Consequently, the ability of the Company to collect the amounts due from its customers is affected by economic fluctuations related to this industry.

The Company maintains bank balances at financial institutions located in Muscle Shoals and Florence, Alabama. The Federal Deposit Insurance Company (FDIC) insures accounts up to \$250,000 at each institution. At March 31, 2018, the Company had no uninsured balances.

NOTE 7: INCOME TAXES

The Company incurred a Net Operating Loss (NOL) carry forward for the year ending March 31, 2018, that will be applied against future taxable income. The various NOL may be carried forward up to 20 years.

The effect of any net deferred tax benefits or liabilities is immaterial.

The Company's federal and state income tax returns are subject to audit, generally for a period of three years from the date they were filed.

NOTE 8: OPERATING LEASE

The Company's office space is leased on a month-to-month basis by the Company's sole shareholder, who has no ownership in the building. The company does lease on a month to month basis storage space for excess furniture and records.

NOTE 9: RELATED PARTY TRANSACTIONS

Consulting fees totaling \$123,600 paid to Avalon Group, LLC were the earnings of Das A. Borden, the managing general partner, in lieu of a salary from the Firm.

NOTE 10: 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 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At March 31, 2018, the Company had net capital of \$35,365, which was \$30,365 in excess of its required net capital of \$5,000.

NOTE 11: CONTINGENCIES AND RISK

The Company remains self-insured. As a result, any judgment against the Company from litigation could adversely affect the Company's results of operations.

Currently, FINRA is conducting a review of the Company's internal policies and procedures relative primarily to products. The review arises out of the Company's 2016 FINRA exam; the outcome is still pending. It is the Company's opinion that FINRA's findings could reasonably result in a fine and costs associated with hiring a consultant to improve the Company's policies and procedures; however, the amount of a potential fine and of consulting costs cannot be determined at this time.

NOTE 12: SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 30, 2018, the date which the financial statements were available to be issued.

Supplementary Schedules Pursuant to SEA Rule 17a-5

AVALON INVESTMENT & SECURITIES GROUP, INC.
Supplementary Schedules Pursuant to SEA Rule 17a-5
Of the Securities and Exchange Act of 1934
As of and for the Year-Ended March 31, 2018
SCHEDULE I

Computation of Net Capital Requirement

Total Stockholder's Equity from statement of Financial Condition	\$59,335
Deduct Stockholder's Equity Not Allowable for Net Capital	<u> --</u>
Total Stockholder's Equity Qualified for Net Capital	\$59,335
Deductions and/or Charges:	
Non-Allowable Assets :	
Prepaid Expenses	(4,640)
Commissions Receivable	<u>(15,450)</u>
 Total Non-allowable assets from Statement of Financial Condition	 <u>(20,090)</u>
 Net Capital, before haircuts on Securities positions	 39,245
Haircuts on securities: other securities	<u>(3,880)</u>
Net Capital	<u>35,365</u>
 Net Capital Requirement	 <u> 5,000</u>
 Excess Net Capital	 <u>\$30,365</u>

AVALON INVESTMENT & SECURITIES GROUP, INC.
Supplementary Schedules
As of and for the Year-Ended March 31, 2018
COMPUTATION OF AGGREGATE INDEBTEDNESS

SCHEDULE I – Continued

TOTAL LIABILITIES FROM STATEMENT OF FINANCIAL CONDITION	\$ 66,528
Less: Non-Aggregate Indebtedness	<u> -</u>
TOTAL AGGREGATE INDEBTEDNESS	<u>\$ 66,528</u>

COMPUTATION OF RECONCILIATION OF NET CAPITAL

There were no changes from FOCUS REPORT FILED AND Audited Financial Statement.

Avalon Investment & Securities Group, Inc.
COMPUTATION FOR RESERVE REQUIREMENTS
SCHEDULE II
March 31, 2018

The firm of Avalon Investment & Securities Group, Inc. is exempt from SEC Rule 15c3-3 (k)(1) (The Customer Protection Rule) due to limited business (mutual funds and/or variable annuities only).

Avalon Investment & Securities Group, Inc.
COMPUTATION FOR DETERMINATION OR CONTROL REQUIREMENTS
SCHEDULE III
March 31, 2018

The firm of Avalon Investment & Securities Group, Inc. is exempt from SEC Rule 15c3-3 under section (k)(1) (The Customer Protection Rule) due to limited business (mutual funds and/or variable annuities only).

AVALON INVESTMENT & SECURITIES GROUP, INC.
Supplementary Schedules Pursuant to SEA Rule 17a-5
Of the Securities and Exchange Act of 1934
As of and for the Year-Ended March 31, 2018
Exemption Report Under Rule 15c3-3

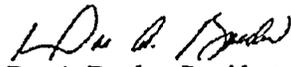
Avalon Investment & Securities Group, Inc. (the "Company") is a registered broker-dealer subject to SEC rule 17a-5. This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following.

The Company claimed an exemption from 17 C.F.R. § 240.15(c)3-3 under the following provisions of 17 C.F.R. § 240.15c3-3(k)(1).

The Company met the identified exemption provisions in 17 C.F.R. § 240.15(c)3-3(k)(1) throughout the most recent year without exception.

AVALON INVESTMENT & SECURITIES GROUP, INC.

I, Das A. Borden, affirm that to my best knowledge and belief, this Exemption Report is true and correct.



Das A. Borden, President

Date: May 10, 2018

**Byrd, Smalley
& Adams, P.C.**
Certified Public Accountants & Consultants

Telephone (256) 353-1611
Facsimile (256) 353-1578

237 Johnston Street, SE
Post Office Box 2179
Decatur, AL 35802-2179

www.byrdsmalley.com

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of
Avalon Investment & Securities Group, Inc.
Muscle Shoals, Alabama

We have reviewed management's statements included in the accompanying Exemption Report, in which (1) Avalon Investment & Securities Group, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Avalon Investment & Securities Group, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3:(1) - the firm conducts limited business (mutual funds and/or variable annuities only). And (2) Avalon Investment & Securities Group, Inc. stated that Avalon Investment & Securities Group, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Avalon Investment & Securities Group, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Avalon Investment & Securities Group, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
May 30, 2018