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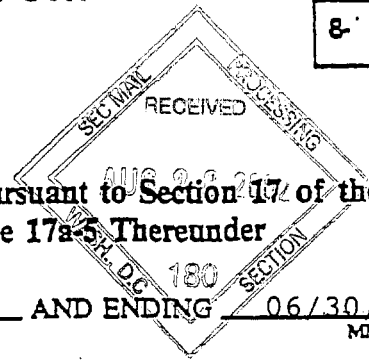
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8 52487

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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 07/01/01 AND ENDING 06/30/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

American Diversified Finanacial Group, LLC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

600 N. Weinbach Avenue Suite 460
(No. and Street)

Evansville, IN 47711-5981
(City) (State) (Zip Code)

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

Charlie Seltzer, CPA 812-471-3443
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

John Friend and Co., PC

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

2916 E. Morgan Avenue Evansville IN 47711
(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 11 2002

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THOMSON FINANCIAL

*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]

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2002

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

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JOHN FRIEND & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2916 EAST MORGAN AVENUE • EVANSVILLE, INDIANA 47711 • (812) 473-3388

INDEPENDENT AUDITOR'S REPORT

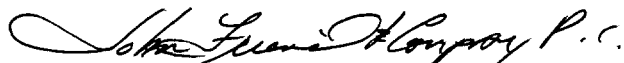
To the Members
American Diversified Financial Group, LLC
Evansville, IN

We have audited the accompanying statement of financial position of American Diversified Financial Group, LLC as of June 30, 2002 and the related statement of operations, members' equity, and cash flows for the year then ended. 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 described above present fairly, in all material respects, the financial position of American Diversified Financial Group, LLC as of June 30th 2002, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 11 to 16 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 of the Securities and Exchange Commission. 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.



John Friend and Company, P.C.

Evansville, Indiana

August 5, 2002

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

STATEMENT OF FINANCIAL CONDITION

June 30, 2002

ASSETS:

Cash and Cash Equivalents	\$	29,215
Commission Receivable		6,544
Goodwill		175,000
Other Assets		<u>1,733</u>
Total Assets		<u>212,492</u>

LIABILITIES:

Payable to Investment Representatives		3,963
Other Liabilities		<u>4,746</u>
Total Liabilities		<u>8,709</u>

MEMBERS' EQUITY:

Members' Contributed Capital		207,500
Accumulated Deficit	(<u>3,717</u>)
Total Members' Equity		<u>203,783</u>
Total Liabilities and Members' Equity		<u>212,492</u>

See Independent Auditor's report and notes to financial statements.

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

STATEMENT OF OPERATIONS

	<u>Year Ended June 30, 2002</u>
Income	
Commission Income	\$ 193,117
Fee from Investment Representatives	8,480
Interest Income	644
Other Income	1,110
	<hr/>
Total Income	203,351
	<hr/>
Expenses	
Representative Commissions	119,652
Management Fees	17,478
Licenses and Membership Fees	4,077
Occupancy Expense	17,342
Technology Expense	4,174
Legal and Professional Fees	3,100
Insurance	2,232
Postage and Supplies	5,957
Telephone Expense	5,261
Other Expenses	3,062
	<hr/>
Total Expenses	182,335
	<hr/>
<u>NET PROFIT</u>	<u>21,016</u>

See Independent Auditor's report and notes to financial statements.

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

STATEMENT OF MEMBERS' EQUITY

	<u>Members' Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balances, July 1, 2001	\$ 227,500	(24,733)	202,767
Net Profit		21,016	21,016
Capital Distribution	(20,000)		(20,000)
Balances, June 30, 2002	<u>207,500</u>	<u>(3,717)</u>	<u>203,783</u>

See Independent Auditor's report and notes to financial statements.

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

STATEMENT OF CASH FLOWS

	<u>Year Ended June 30, 2002</u>
Operating Activities	
	\$ 21,016
Net Profit	
Adjustments to Reconcile Net Loss to Net Cash Used By Operating Activities:	
Net Change In	
Commissions Receivable	2,385
Payable to Investment Representatives	(1,655)
Other Assets	1,071
Other Liabilities	(1,204)
Net Cash Used By Operating Activities	<u>21,613</u>
Financing Activities – Capital Distribution	(<u>20,000</u>)
Net Change in Cash and Cash Equivalents	1,613
Cash and Cash Equivalents, Beginning of Year	<u>27,602</u>
Cash and Cash Equivalents, End of Year	<u>29,215</u>
Cash Paid During Year For:	
Interest Paid	-0-
Income Taxes Paid	-0-

See Independent Auditor's report and notes to financial statements.

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

NOTES TO FINANCIAL STATEMENTS (Cont.)

Note C – Commitments and Contingent Liabilities

The Company is subject to claims and lawsuits, which arise, primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material effect on the financial position of the Company.

Note D – Related Party Transactions

The Company has entered into an agreement with its members in which the Company will pay the members management fees for the day-to-day management of the Company. The fees are calculated based on commission income. The amount of fees paid to the members during the year ended June 30, 2002 was \$17,478.

Note E – Leases

The Company has a noncancelable operating lease for the building in which it operates that expires in July 2003. The lease contains a three-year renewal option and requires the Company to maintain a specified amount of liability insurance coverage. Rental expense for the lease consisted of \$12,000 for the year ended June 30, 2002.

Future minimum lease payments under the operating lease are:

	<u>Years Ending June 30</u>
2003	\$ 12,000
2004	<u>1,000</u>
Total Minimum Lease Payments	<u>13,000</u>

Note F- Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (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 (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 June 30, 2002, the Company had net capital of \$26,966, which was \$21,966 in excess of its required net capital of \$5,000. At June 30, 2002, the Company’s ratio of aggregate indebtedness to net capital was 0.32 to 1.

See Independent Auditor’s Report

Supplemental Information

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

Computation of Net Capital Under Rule 15c3-1

	<u>June 30, 2002</u>
Computation of Net Capital	
Members' Equity Qualified for Net Capital	\$ 203,783
Nonallowable assets	
Goodwill	(175,000)
Prepaid Expense and Other Assets	(1,733)
Hair Cut on Operating Account	(84)
Net Capital	<u>26,966</u>

See Independent Auditor's report and notes to financial statements.

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

**Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission**

	<u>June 30, 2002</u>
Reconciliation with Company's Computation (included in Part 11 a of Form X-17A-5 as of June 30, 2002)	
Net Capital, as reported in Company's Part 11 A (unaudited) FOCUS Report	\$ 26,966
Net Audit Adjustments	<u>-0-</u>
Net Capital per page 11	<u><u>26,966</u></u>

See Independent Auditor's report and notes to financial statements.

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission

	<u>June 30, 2002</u>
Aggregate Indebtedness	
(included in statement of Financial Condition)	
Payable to Investment Representatives and Other Liabilities	\$ 8,709
Basic Net Capital Requirements	
Minimum Dollar Net Capital Requirement of Reporting Broker Dealer	5,000
Net Capital Requirement	5,000
Excess Net Capital	21,966
Excess Net Capital at 1000% (net capital less 10% of aggregate indebtedness)	26,095
Ratio of aggregate indebtedness to net capital	.32 to 1

See Independent Auditor's report and notes to financial statements.

AMERICAN DIVERSIFIED FINANCIAL GROUP, LLC

**Computation for Determination of Reserve
Requirements Under Rule 15c3-3**

Broker-dealer is exempt from Rule 15c3-3. All customer transactions are cleared through Dain Correspondent Services on a fully-disclosed basis.

See Independent Auditor's report and notes to financial statements.

Independent Auditors' Report on Internal Control

To the Members
American Diversified Financial Group, LLC
Evansville, IN

In planning and performing our audit of the financial statements of American Diversified financial Group, LLC for the year ended June 30, 2002, we considered its internal control, including procedures 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 internal control.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment of securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 judgements by management are required to assess the expected benefits and related costs of internal control policies and procedures 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 accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or irregularities 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 the specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities 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, because the Company has limited office staff, complete segregation of duties is not possible. We noted no matters involving internal control 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 our study, we believe that the Company's practices and procedures were adequate at June 30, 2002 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies, which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



John Friend and Company, PC

August 5, 2002