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| OMB APPROVAL                                      |                    |
| OMB Number:                                       | 3235-0123          |
| Expires:  | September 30, 1998 |
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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

RECEIVED  
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| SEC FILE NUMBER |
| 8-52523         |

**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 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: NGC FINANCIAL, LLC

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO.      |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
24-44 FRANCIS LEWIS BLVD  
(No. and Street)

WHITESTONE, NY 11357  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
NEIL G. CARUSO 718-767-3300  
(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

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

42-27 BELL BLVD BAYSIDE NEW YORK 11361  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**PROCESSED**  
 P MAR 20 2002

|                       |                   |
|-----------------------|-------------------|
| FOR OFFICIAL USE ONLY | 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).

1143-19-02

OATH OR AFFIRMATION

I, NEIL G CAROUSO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NGC FINANCIAL LLC, as of December 31, 192001, 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:

None

Neil G Carouso

Signature

member

Title

Sworn to before me this 26th day of February, 2002

Carolyn R. DiBella

Notary Public

**CAROLYN R. DIBELLA**  
**NOTARY PUBLIC, State of New York**  
**No. 4764995**

Qualified in Nassau County  
Commission Expires 30, SEPT. 2002

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 Proprietor's 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).

NGC FINANCIAL, LLC

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
WITH  
INDEPENDENT AUDITORS' REPORT

NGC FINANCIAL, LLC

FINANCIAL STATEMENTS  
DECEMBER 31, 2001

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# GEORGE DEMOS, C.P.A.

42-27 BELL BOULEVARD, BAYSIDE, NEW YORK 11361  
TEL.: (718) 428-0438 • FAX: (718) 229-7042

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
NGC Financial, LLC

I have audited the accompanying statement of financial condition of NGC Financial, LLC (the Company) as of December 31, 2001, and the related statements of operations, changes in members' 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NGC Financial, LLC at December 31, 2001, 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.

My audit was 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 audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bayside, New York  
February 12, 2002

  
George Demos, C.P.A.

NGC FINANCIAL, LLC

STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

ASSETS

|              |    |                     |
|--------------|----|---------------------|
| Cash         | \$ | 8,558               |
| Other assets |    | <u>123</u>          |
| Total assets | \$ | <u><u>8,681</u></u> |

LIABILITIES AND MEMBERS' EQUITY

|                                       |    |                     |
|---------------------------------------|----|---------------------|
| Liabilities                           | \$ | <u>-</u>            |
| Members' equity                       |    | <u>8,681</u>        |
| Total liabilities and members' equity | \$ | <u><u>8,681</u></u> |

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

NGC FINANCIAL, LLC

**STATEMENT OF OPERATIONS**  
FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUES

|                 |    |              |
|-----------------|----|--------------|
| Commissions     | \$ | 1,077        |
| Interest income |    | <u>107</u>   |
| Total revenues  |    | <u>1,184</u> |

EXPENSES

|                 |    |                       |
|-----------------|----|-----------------------|
| Insurance       |    | 315                   |
| Regulatory fees |    | 1,394                 |
| Other expenses  |    | <u>1,773</u>          |
| Total expenses  |    | <u>3,482</u>          |
| Net loss        | \$ | <u><u>(2,298)</u></u> |

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

NGC FINANCIAL, LLC

**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
FOR THE YEAR ENDED DECEMBER 31, 2001

|                                      |    |                     |
|--------------------------------------|----|---------------------|
| Members' equity at beginning of year | \$ | 8,979               |
| Net loss                             |    | (2,298)             |
| Contributions                        |    | <u>2,000</u>        |
| Members' equity at end of year       | \$ | <u><u>8,681</u></u> |

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

NGC FINANCIAL, LLC

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

|  |    |                     |
|--|----|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |    |                     |
| Net loss   | \$ | (2,298)             |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: |    |                     |
| Decrease in prepaid expenses and other assets  |    | <u>545</u>          |
| NET CASH USED BY OPERATING ACTIVITIES  |    | <u>(1,753)</u>      |
|  |    |                     |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |    |                     |
| Members contributions  |    | <u>2,000</u>        |
| NET CASH PROVIDED BY FINANCING ACTIVITIES  |    | <u>2,000</u>        |
| NET INCREASE IN CASH AND CASH EQUIVALENTS  |    | 247                 |
| CASH AND CASH EQUIVALENTS - BEGINNING  |    | <u>8,311</u>        |
| CASH AND CASH EQUIVALENTS - ENDING   | \$ | <u><u>8,558</u></u> |

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

NGC FINANCIAL, LLC

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business:

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company's business is limited to a mutual fund retailer, on a subscription/application basis only, and a broker dealer selling variable life insurance or annuities.

Basis of Accounting:

The financial statements are prepared using the accrual basis of accounting.

Use of Estimates:

The preparation of financial statements in conformity with 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.

Income Taxes:

The Company is a single member limited liability company that has chosen to be treated as a disregarded entity for Federal tax purposes. The single member is an individual and will be treated as a sole proprietorship for Federal and New York tax purposes. All income or losses will be reported on the individual members' income tax returns. Accordingly, no income tax expense has been recorded in the statements.

Cash Equivalents:

For purpose of the statement of cash flows, the Company considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

NGC FINANCIAL, LLC

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2001

NOTE 2 - SUBORDINATED BORROWINGS:

There are no subordinated borrowings at December 31, 2001.

NOTE 3 - 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. At December 31, 2001 the Company had net capital of \$8,558, which was \$3,558 in excess of its required net capital.

**COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2001**

|  |                        |
|--|------------------------|
| Total Capital  | \$ 8,681               |
| Deductions and/or changes:   |                        |
| Nonallowable assets:   |                        |
| Other assets   | <u>123</u>             |
| Net capital before haircuts on securities<br>positions (tentative net capital) | 8,558                  |
| Haircuts on securities   | <u>-</u>               |
| Net capital  | \$ <u><u>8,558</u></u> |
| Aggregate indebtedness   | \$ <u><u>-</u></u>     |
| Computation of basic net capital requirement                                   |                        |
| Minimum net capital required   | \$ <u><u>5,000</u></u> |
| Excess net capital   | \$ <u><u>3,558</u></u> |
| Excess net capital at 1,000 percent  | \$ <u><u>8,558</u></u> |
| Ratio: Aggregate indebtedness to net capital                                   | <u><u>0 TO 1</u></u>   |

The Company claims exemption under SEC rule 15c3-3 on the basis that the Company's business is limited to mutual funds and/ or variable annuities only.

## GEORGE DEMOS, C.P.A.

---

42-27 BELL BOULEVARD, BAYSIDE, NEW YORK 11361  
TEL.: (718) 428-0438 • FAX: (718) 229-7042

To the Members of  
NGC Financial, LLC

In planning and performing my audit of the financial statements and supplemental schedules of NGC Financial, LLC ( the Company), for the year ended December 31, 2001, I considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control structure.

Also, as required by rule 17a-5(g) (1) of the Securities Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I 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 17-3(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, I 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
2. Recordation of differences required by rule 17a-13
3. Complying with requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining an internal control structure 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 structure policies and procedures and 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 an internal control structure 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 any internal control structure 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure 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, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

I 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 inadequate for its purpose 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the use of the Members, management, the SEC, 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 should not be used for any other purpose.



George Demos, CPA  
Bayside, New York  
February 12, 2002

# GEORGE DEMOS, C.P.A.

---

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This report is intended solely for the use of the Members, management, the SEC, 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 should not be used for any other purpose.



George Demos, CPA  
Bayside, New York  
February 12, 2002