

SO  
3/6/02

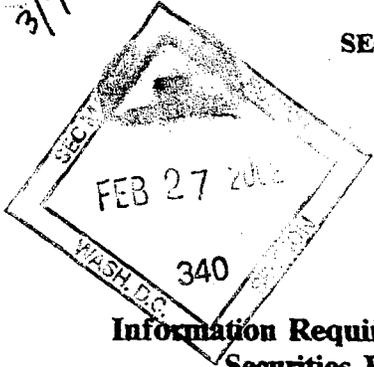
149  
3/7



SECURITIES CONTROL BOARD OF WASHINGTON

02018497

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	September 30, 1998
Estimated average burden hours per response . . .	12.00



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

SEC FILE NUMBER
8 52206

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 January 1, 2001 AND ENDING December 31, 2001  
MM/DD/YY MM/DD/YY

#### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Ahston-Clayton Financial Group, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

409 Rahway Avenue

(No. and Street)

Woodbridge, NJ

07095

(City)

(State)

(Zip Code)

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

Richard M. Prinzi, Jr., CPA

212-402-6864

(Area Code - Telephone No.)

#### B. ACCOUNTANT IDENTIFICATION

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

Prinzi, Richard M.

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

8403 Seventh Avenue, Brooklyn, NY 11228

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED

MAR 12 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).

Handwritten initials/signature

OATH OR AFFIRMATION

I, Harry Clayton, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Ashton-Clayton Financial Group, LLC, as of December 31, 2001, 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:

N/A

Signature: [Handwritten Signature]
Title: VICE PRESIDENT

KIMBERLY J. ASHTON
Notary Public, New Jersey
My Commission Expires September 11, 2005

[Handwritten Signature] Notary Public 2/26/02

- 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).

# Ashton Clayton Financial Group, LLC

## Index To Financial Statements

	<u>Page</u>
Report of Independent Public Accounts	2
Financial Statements:	
Balance Sheet-December 31, 2001	3
Statement of Operations for the Year Ended December 31, 2001	4
Statement of Changes in Members' Equity for the Year Ended December 31, 2001	5
Statement of Cash Flows for the Year Ended December 31, 2001	6
Notes to Financial Statements	7 to 8
Supplemental Information:	
Computation of Net Capital - December 31, 2001	9



**Richard M. Prinzi, Jr.**  
*Certified Public Accountant*

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To Ashton Clayton Financial Group, LLC:

We have audited the accompanying balance sheet of Ashton Clayton Financial Group, LLC (a Limited Liability Company) as of December 31, 2001, and the related statements of operations, changes in Members' equity and cash flows for the year ended December 31, 2001 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 referred to above present fairly, in all material respects, the financial position of Ashton Clayton Financial Group, LLC as of December 31, 2001, and the results of its operations and its cash flows for the Year Ended December 31, 2001, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplementary Information 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 our 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.

Richard Prinzi, Jr. CPA  
February 25, 2002

**Manhattan:**  
75 Maiden Lane  
3rd floor  
New York, NY 10038

phone: 212.402.6864  
internet: www.prinzi.com

**Staten Island:**  
3117 Richmond Road  
3rd floor  
Staten Island, NY 10306

phone: 718.980.2465  
e-mail: info@prinzi.com

## Ashton Clayton Financial Group, LLC

### Balance Sheet December 31, 2001

#### Assets

##### Current Assets:

Cash	\$ 1,616
Clearing Deposit	15,000
Other Receivables	31,437
Prepaid Expenses	1,469

Total Current Assets 49,522

Fixed Assets	29,025
Accumulated Depreciation	<u>(18,998)</u>

Net Book Value 10,027

Total Assets \$ 59,549

#### Liabilities And Members' Equity

##### Current Liabilities:

Accounts Payable	\$ 4,260
Commission Payable	26,556
Accrued Expenses	<u>3,870</u>

Total Current Liabilities 34,686

Total Liabilities 34,686

##### Members' Equity:

Members Equity	33,737
Current Income (Loss)	<u>(8,874)</u>

Total Members' Equity 24,863

Total Liabilities and Members' Equity \$ 59,549

See Accompanying Notes to Financial Statements

# Ashton Clayton Financial Group, LLC

## Statement of Operations

For the Year Ended December 31, 2001

Income:	
Commission Income	\$ 164,293
Insurance Income	272,120
Mutual Fund Income	144,178
Interest	1,448
Other	15,945
	<hr/>
Total Income	597,984
Expenses:	
Commissions	517,284
Clearing Costs	7,795
Communications	14,224
Occupancy	20,768
Insurance	11,733
Quote Services	2,720
Regulatory & Membership	4,442
Professional Services	14,120
Depreciation	4,808
Interest	441
General & Administrative	8,523
	<hr/>
Total Expenses	606,858
Loss	<u>\$ (8,874)</u>

See Accompanying Notes to Financial Statements

# Ashton Clayton Financial Group, LLC

## Statement of Changes in Members' Equity

For the Year Ended December 31, 2001

	<u>Total</u>
Members' Equity January 1, 2001	\$ 33,737
Year Current Income (Loss)	(8,874)
Additions	0
Withdrawals	<u>0</u>
Members' Equity December 31, 2001	<u>\$ 24,863</u>

See Accompanying Notes to Financial Statements

# Ashton Clayton Financial Group, LLC

## Statement of Cash Flows

For the Year Ended December 31, 2001

Cash Flows From Operating Activities:	
Net Loss	\$ (8,874)
Depreciation Expense	4,808
Net Decrease in Other Receivables	6,650
Net Decrease in Prepaid Expenses	721
Net Decrease in Accounts Payable	(948)
Net Decrease in Commission Payable	(3,656)
Net Increase in Accrued Expenses	<u>1,570</u>
Net Cash Provided By Operating Activities	<u>271</u>
Cash Flows From Investing Activities:	
Net Cash Used (Provided) in Investing Activities	<u>0</u>
Cash Flow From Financing Activities:	
Net Cash Provided (Used) By Financing Activities	<u>0</u>
Net Increase in Cash	<u>271</u>
Cash, beginning of period	<u>1,345</u>
Cash, end of period	<u>\$ 1,616</u>

See Accompanying Notes to Financial Statements

# Ashton Clayton Financial Group, LLC

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. ORGANIZATION AND OPERATIONS

Ashton Clayton Financial Group, LLC ("the Company") is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Its business will focus on serving the needs of individual investors who seek specialized advice and recommendations based on their own individual needs and interest. Management has elected a December 31 year-end for the Company.

The Company recommends investment strategies and executes trades on behalf of clients. Customer accounts are maintained at Fiserv Correspondent Services, Inc. The Company has an agreement with Fiserv Correspondent Services, Inc. to execute and clear trades on behalf of the Company, therefore, the Company is exempt from SEC rule 15c3-3.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Cash & Cash Equivalents**

For the purpose of the statement of cash flows, cash equivalents include all highly liquid investments, with a maturity of three months or less.

#### **Utilization of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Basis of Financial Statements**

These financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

#### **Property Plant & Equipment**

Property plant & equipment are carried at cost less accumulated depreciation computed by the straight-line and accelerated methods. The estimated useful life to the various classes of assets on which current provisions were based are as follows: Furniture & Fixtures, 7 years; Equipment, 5 years; and Computers, 5 Years.

## Ashton Clayton Financial Group, LLC

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 3. FIXED ASSETS

A summary of fixed assets is as follows:

Furniture & Fixtures	\$	17,430
Equipment		5,425
Computers		6,170
		<hr/>
Total Fixed Assets		29,025
Accumulated Depreciation		(18,998)
		<hr/>
Net Book Value	\$	10,027
		<hr/>

#### NOTE 4. RENT

The Company rents office space at 408 Rahway, Woodbridge, NJ. The lease renews at the mutual consent of the landlord and the Company at a 5% increase per year. The monthly rent for 2001 was raised from \$1,470 in January, 2002 to \$1,570 from February 2002 to year end.

#### NOTE 5. NET CAPITAL REQUIREMENTS

As a SEC registered broker-dealer and a NASD member firm, the Company is subject to the SEC's Uniform Net Capital Rule (the "Rule"), 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.

As of December 31, 2001, the Company had net capital of \$13,067 which was \$8,067 in excess of required net capital of \$5,000. The Company's net capital ratio was 2.65 to 1.

## **Supplemental Information**

## Ashton Clayton Financial Group, LLC

### Computation of Net Capital

December 31, 2001

#### **Net Capital:**

Total Ownership Equity qualified for Net Capital	\$ 24,863
Less: Non-allowable Assets	<u>11,496</u>
Total Net Capital	13,367
Haircuts	<u>300</u>
Net Capital	13,067
Minimum Dollar Requirement	<u>5,000</u>
Excess Net Capital	<u>\$8,067</u>

#### **Aggregate Indebtedness:**

Aggregate indebtedness as included in Statement of Financial Condition	<u>\$ 34,686</u>
Ratio of aggregate indebtedness to Net Capital	<u>2.65 to 1</u>

#### **Reconciliation:**

Net Capital as per the December 31, 2001 Unaudited FOCUS Report, as filed	\$ 13,067
Net Adjustments	<u>0</u>
Net Capital as per the December 31, 2001 Audited Report, as filed	<u>\$ 13,067</u>

# **Richard Prinzi, Jr. CPA**

## **Staten Island Office:**

600 Forest Avenue  
Staten Island, NY 10310  
(718) 748-2300  
**\*\*Staffed full time**

## **Manhattan Office:**

75 Maiden Lane  
New York, NY 10038  
(212) 402-6864  
**\*\*By Appointment Only**

Ashton Clayton Financial Group  
408 Rahway Ave  
Woodbrodage, NJ 07095

February 25, 2002

In planning and performing our audit of the financial statements and supplemental schedules of Ashton-Clayton Financial Group, LLC. (the "Company"), for the year ended December 31, 2001, we considered its internal control, including control activities 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.

Also, as required by Rule 17a-5(g) (1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we 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 17a-3(a) (11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry customer securities, we 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 the 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 internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility estimates and judgments by management are required to assess the expected benefits and related costs of controls 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

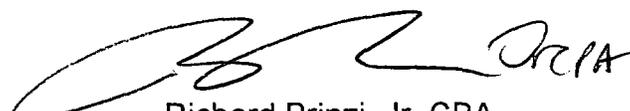
procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-15(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, error or fraud 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 components does not reduce to a relatively low level the risk that error or fraud 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 internal control, including control activities for safeguarding securities, 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 December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use for the Board of Directors, 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 is not intended to be and should not be used by anyone other than these specified parties.

  
Richard Prinzi, Jr. CPA