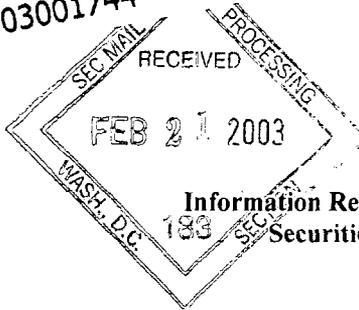




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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL box with handwritten date 2/24/03 and OMB details: OMB Number: 3235-0123, Expires: October 31, 2001, Estimated average burden hours per response...12.00

SEC FILE NUMBER box containing 8-49815

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02

A. REGISTRANT IDENTIFICATION

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

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

220 S. WARREN STREET, SUITE 600

(No. and Street)

SYRACUSE

(City)

NEW YORK

(State)

13202

(Zip Code)

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

RICHARD J. CARLESCO, JR., C.O.O.

(315) 425-5600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

EVANS AND BENNETT, LLP

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

135 DEWITT STREET

(Address)

SYRACUSE

(City)

NEW YORK 13203

(State)

(Zip Code)

CHECK ONE:

- Checked: Certified Public Accountant
Public Accountant
Accountant not resident in United State or any of its possessions

PROCESSED stamp dated MAR 06 2003 from THOMSON FINANCIAL

FOR OFFICIAL USE ONLY box

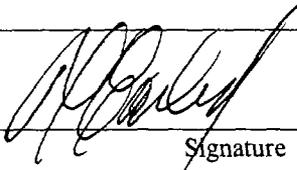
\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

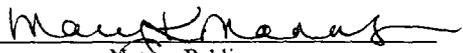
OATH OR AFFIRMATION

I, Richard J. Carlesco, Jr., swear (or affirm) that to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of IBN Financial Services, Inc., as of December 31, 2002, 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

MARY K MANN'S  
Notary Public - State of New York  
No. 01MA6015329  
Qualified in Onondaga County  
Commission Expires Oct. 26, 2006

  
Signature  
C. O. O.  
Title

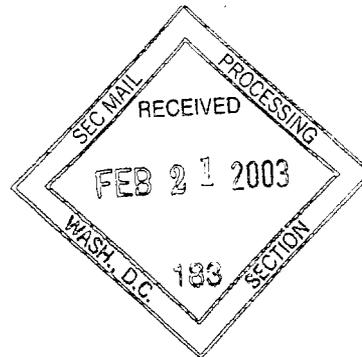
  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity.
- (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.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition.
- (l) An Oath or Affirmation.
- (m) A copy of the SPIC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal accounting control.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**IBN FINANCIAL SERVICES, INC.**  
**SYRACUSE, NEW YORK**  
**AUDITED STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2002**



*Evans and Bennett, LLP*

CERTIFIED PUBLIC ACCOUNTANTS

135 DEWITT STREET

SYRACUSE, N.Y. 13203

315-474-3986

FAX # (315) 474-0716

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders  
IBN Financial Services, Inc.  
Syracuse, New York

We have audited the accompanying statement of financial condition of IBN Financial Services, Inc. (the Company) as of December 31, 2002. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 accompanying statement of financial condition presents fairly, in all material respects, the financial position of IBN Financial Services, Inc. as of December 31, 2002, in conformity with U.S. generally accepted accounting principles.

*Evans and Bennett, LLP*  
Certified Public Accountants

Syracuse, New York  
January 31, 2003

IBN FINANCIAL SERVICES, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2002

ASSETS

Cash (Note 1)	\$ 5,983
Receivable from clearing organization and funds (Note 2)	13,300
Marketable securities (at market) (Note 1)	4,348
Property and equipment (Notes 1 and 3)	<u>443</u>
Total assets	<u>\$ 24,074</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:	
Accounts payable and accrued expenses	\$ 14,330
Total liabilities	<u>14,330</u>
Stockholders' equity	<u>9,744</u>
Total liabilities and stockholders' equity	<u>\$ 24,074</u>

A copy of the Statement of Financial Condition of the December 31, 2002 audited report of the firm pursuant to rule 17a-5 is available for examination at the principal office of the firm at Syracuse, New York and at the regional (New York City) office of the Commission for the region in which the firm has its principal place of business.

The accompanying notes are an integral part of this financial statement

IBN FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

**Note 1. Summary of Significant Accounting Policies**

Nature of Operations

IBN Financial Services, Inc. (the Company) is a regional securities broker-dealer registered with the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD) as an introducing broker. The Company's customer transactions are cleared on a fully disclosed basis with a correspondent clearing broker. The Company is engaged principally in the trading and brokerage of investment company shares (mutual funds), equity securities, bonds and other investment products.

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 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.

Cash - Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

Marketable Securities

Marketable securities in the Company's investment account (available for sale) are valued at market value, fair value or bid price, whichever is most clearly determinable for financial statement purposes. For tax purposes, any unrealized gain or loss recognized on the investment account is removed from the calculation of taxable income. The aggregate value of marketable securities presented exceeds their costs by approximately \$4.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Renewals and betterments of property are accounted for as additions to asset accounts. Repairs and maintenance charges are expensed as incurred. Depreciation is computed using accelerated methods for financial reporting and income tax purposes. Estimated useful lives vary from 5 to 7 years for office equipment.

IBN FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

**Note 1. Summary of Significant Accounting Policies (continued)**

Securities Transactions

Customers' securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis. Proprietary securities transactions of the Company are recorded on a trade date basis.

Commissions

Commission and related clearing expenses are recorded on a trade date basis as securities transactions occur.

Income Taxes

The Company has elected to be treated as a Subchapter "S" Corporation under the Internal Revenue Code and the New York State Corporation Tax Law. Under these elections, the income generally is taxed directly to the stockholders. New York State has a minimum tax on corporations, which resulted in a corporate level tax of \$100 and is reflected in these financial statements.

**Note 2. Accounts Receivable and Concentration of Credit Risk**

The Company is engaged in various trading and brokerage activities whose counterparties include a fully disclosed carrying broker and other financial institutions. In the event the counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. The Company has not experienced any credit risk related to loss and there has been no bad debt related expense from these transactions during the reporting period. It is the Company's policy to review, as necessary, the credit standing of each counterparty. The Company uses the direct write-off method in recognizing bad debt. There was no bad debt expense incurred during the year ended December 31, 2002.

**Note 3. Property and Equipment - Net**

A schedule of property and equipment is as follows:

Office equipment	\$ 10,493
Accumulated depreciation	<u>(10,050)</u>
Property and equipment - net	<u>\$ 443</u>

Depreciation expense was \$1,209 for the year ended December 31, 2002.

IBN FINANCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

**Note 4. Net Capital Requirements**

As a registered broker-dealer, IBN Financial Services, Inc. is subject to the requirements of rule 15c3-1 ("The Net Capital Rule") under the Securities and Exchange Act of 1934. The basic concept of the rule is liquidity, its object being to require a broker-dealer to have, at all times, sufficient liquid assets to cover its current indebtedness. Specifically, the rule prohibits a broker-dealer from permitting its "aggregate indebtedness" from exceeding fifteen times its "net capital" as those terms are defined and the rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. On December 31, 2002, IBN Financial Services, Inc.'s aggregate indebtedness and net capital were \$14,330 and \$8,650, respectively, a ratio of (1.65 to 1) and net capital exceeded the minimum capital requirement of \$5,000 by \$3,650.

**Note 5. Off-Balance-Sheet Credit Risk**

In the normal course of business, the Company's customer transactions are cleared on a fully disclosed basis with a correspondent clearing broker-dealer. As such, the Company does not handle either customer cash or securities. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. Settlement of these transactions is not expected to have a significant effect upon the Company's financial position.

The Company does not engage in proprietary trading of volatile securities such as short options and futures.

**Note 6. Related Party Transactions**

The Company reimburses Independent Broker Network, Inc. (a related entity) a pro rata share of operating expenses including rent, clerical and utilities. The charge is calculated as a percentage of commission income. Total reimbursed costs were approximately \$58,300.