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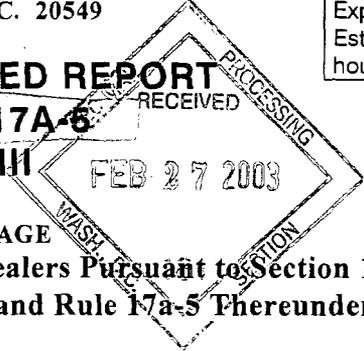
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

BB 3/3

OMB APPROVAL  
OMB Number: 3235-0123  
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**ANNUAL AUDITED REPORT**  
**FORM X-17A-6**  
**PART III**



SEC FILE NUMBER  
8- 49897

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 01/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Navaid Financial Services, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
455 S. Gulph Rd. Suite 235  
(No. and Street)  
King of Prussia, PA 19406  
(City) (State) (Zip Code)

OFFICIAL USE ONLY  
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Philip H. Rinnander, President 610-337-9403  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Siana Carr & O'Connor, LLP  
(Name - if individual, state last, first, middle name)  
1500 E. Lancaster Ave., Paoli, PA 19301  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**

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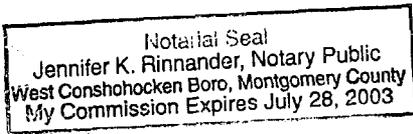
**FOR OFFICIAL USE ONLY** THOMSON FINANCIAL

\*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)

BB 3/13

OATH OR AFFIRMATION

I, Philip H. Rinnander, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Navaid Financial Services, Inc., as of 12/31, 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:



Philip H. Rinnander  
Signature  
President  
Title

Jennifer K. Rinnander  
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 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 15c3-3 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).

*Independent Auditor's Report on  
Internal Control  
Required by SEC Rule 17a-5*

*NAVAID FINANCIAL SERVICES, INC.  
Year Ended December 31, 2002*

**SIANA CARR & O'CONNOR, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Navaid Financial Services, Inc.  
King of Prussia, Pennsylvania

In planning and performing our audit of the financial statements and supplemental schedules of Navaid Financial Services, Inc. (the Company) for the year ended December 31, 2002, 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 securities accounts for customers or perform custodial functions relating to 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 that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls 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 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, 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 on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, the NASD Regulation, Inc., 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.

*Siana Carr & O'Connor, LLP*  
SIANA CARR & O'CONNOR, LLP

February 21, 2003

*Financial Report*

*NAVAID FINANCIAL SERVICES, INC.*

*December 31, 2002 and 2001*

**SIANA CARR & O'CONNOR, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS**

**NAVAID FINANCIAL SERVICES, INC.**  
**Financial Statements and Supplementary Financial Information**  
**December 31, 2002 and 2001**  
**and**  
**INDEPENDENT AUDITOR'S REPORT**

**I N D E X**

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INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Navaid Financial Services, Inc.  
King of Prussia, Pennsylvania

We have audited the accompanying statements of financial condition of Navaid Financial Services, Inc. (an S-Corporation) as of December 31, 2002 and 2001, and the related statements of operations, changes in shareholders' equity, and cash flows for the years 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. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide 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 Navaid Financial Services, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with U. S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9 to 12 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 Exchange Act of 1934. 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.

*Siana Carr & O'Connor, LLP*  
SIANA CARR & O'CONNOR, LLP

February 21, 2003

**NAVAID FINANCIAL SERVICES, INC.**  
**Statements of Financial Condition**  
**December 31, 2002 and 2001**

<b>Assets</b>	2002	2001
Cash and cash equivalents	\$ 84,277	\$ 64,704
Due from clearing broker	71,634	30,385
Accounts receivable	8,450	4,965
Deposits	36,112	35,005
Marketable securities	23,750	17,500
Furniture and equipment, net	10,719	9,278
Prepaid expenses	7,815	7,573
<b>Total assets</b>	<b>\$242,757</b>	<b>\$169,410</b>
<b>Liabilities and shareholders' equity</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,600	\$ 7,238
Unearned revenue	2,500	-0-
<b>Total liabilities</b>	<b>13,100</b>	<b>7,238</b>
Shareholders' equity:		
Common stock (\$.01 par value, 1,000 shares authorized; 106 shares issued and outstanding)	1	1
Additional paid-in capital	99,999	99,999
Retained earnings	129,657	62,172
<b>Total shareholders' equity</b>	<b>229,657</b>	<b>162,172</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$242,757</b>	<b>\$169,410</b>

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

**NAVAID FINANCIAL SERVICES, INC.**  
**Statements of Operations**  
**For the Years Ended December 31, 2002 and 2001**

	2002	2001
Revenues:		
Commission income	\$544,017	\$216,994
Consulting income	79,372	51,815
Investment income	8,252	6,446
<b>Total revenues</b>	<b>631,641</b>	<b>275,255</b>
Expenses:		
Employee compensation and benefits	301,395	89,539
Occupancy and office	43,036	42,025
Outside services	24,845	21,207
Other operating expenses	49,880	25,312
<b>Total expenses</b>	<b>419,156</b>	<b>178,083</b>
<b>Net income</b>	<b>\$212,485</b>	<b>\$ 97,172</b>

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

**NAVAID FINANCIAL SERVICES, INC.**  
**Statements of Changes in Shareholders' Equity**  
**For the Years Ended December 31, 2002 and 2001**

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total
January 1, 2001	106	\$1	\$99,999	\$ 23,800	\$ 123,800
Net income				97,172	97,172
Distributions to shareholders				(58,800)	(58,800)
December 31, 2001	106	\$1	\$99,999	\$ 62,172	\$ 162,172
January 1, 2002	106	\$1	\$99,999	\$ 62,172	\$ 162,172
Net income				212,485	212,485
Distributions to shareholders				(145,000)	(145,000)
December 31, 2002	106	\$1	\$99,999	\$ 129,657	\$ 229,657

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

**NAVAID FINANCIAL SERVICES, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2002 and 2001**

	2002	2001
Cash flows from operating activities:		
Net income	\$212,485	\$ 97,172
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	3,303	1,020
Unrealized gain on marketable securities	(6,250)	(2,656)
Increase in due from clearing broker	(41,249)	(25,172)
(Increase) decrease in accounts receivable	(3,485)	4,125
(Increase) decrease in deposits	(1,107)	466
(Increase) decrease in prepaid expenses	(242)	449
Increase in accounts payable and accrued expenses	3,362	3,238
Increase in unearned revenue	2,500	-0-
Net cash provided by operating activities	169,317	78,642
Cash flows from investing activities:		
Purchase of furniture and equipment	(4,744)	(10,298)
Net cash used by investing activities	(4,744)	(10,298)
Cash flows from financing activities:		
Distributions to shareholders	(145,000)	(58,800)
Net cash used by financing activities	(145,000)	(58,800)
Net increase in cash and cash equivalents	19,573	9,544
Cash and cash equivalents:		
Beginning of year	64,704	55,160
End of year	\$ 84,277	\$ 64,704

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

**NAVAID FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2002 and 2001**

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**(1) ORGANIZATION AND BACKGROUND**

Navaid Financial Services, Inc. (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. The Company operates on a fully-disclosed basis whereby they do not carry accounts for customers. The Company also provides financial consulting services to local financial institutions in the Pennsylvania and New Jersey area.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Cash Flow Information*

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, cash deposited in banks and cash invested in money market mutual funds.

*Management's Estimates*

The preparation 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.

*Marketable Securities*

Marketable securities owned consist entirely of equity investment securities stated at market values.

*Furniture and Equipment*

Furniture and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 7 years.

*Commission Income*

Commission income and related expenses are recognized on the trade date since substantially all the efforts in generating the commissions have been completed.

*Reclassification*

Certain amounts in the 2001 financial statements have been reclassified to conform with the 2002 financial statement presentation.

**NAVAID FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2002 and 2001**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Income Taxes*

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code of 1986 and comparable state tax provisions to be taxed as an S-Corporation. In lieu of corporation income taxes, the shareholders of an S-Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

**(3) RELATED PARTY TRANSACTIONS**

During 2002, the Company entered into a servicing agreement with a company related through common ownership. The Company furnishes office space and professional services to the related party. Total consulting income received from the related party was \$24,000 for the year ended December 31, 2002.

The Company provided financial consulting services to an employee who is a former shareholder. Consulting income received from the employee was \$9,200 and \$8,300 for the years ended December 31, 2002 and 2001, respectively.

**(4) FURNITURE AND EQUIPMENT**

At December 31, 2002 and 2001, furniture and equipment consisted of:

	2002	2001
Furniture	\$ 2,283	\$ 1,690
Equipment	10,578	8,026
Software	1,202	582
	14,063	10,298
Less: accumulated depreciation	3,344	1,020
	\$10,719	\$ 9,278

Depreciation expense for the years ended December 31, 2002 and 2001 was \$3,303 and \$1,020, respectively.

**NAVAID FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**  
**December 31, 2002 and 2001**

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**(5) NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum net capital and a ratio of aggregate indebtedness to net capital, not exceeding 15 to 1. At December 31, 2002, the Company had net capital, as defined, of \$171,479 which was \$166,479 in excess of its minimum required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .07 to 1 as of December 31, 2002.

The SEC customer protection rule (Rule 15c3-3) requires the maintenance of reserves for customer accounts and sets forth specific guidelines regarding the possession of securities. The Company is exempt from this rule under Reg 240.15c3-3k(2)ii which provides an exemption for broker-dealers who operate on a fully-disclosed basis. Therefore, Schedules II and III on pages 10 and 11 are not applicable.

**(6) LEASE COMMITMENTS**

The Company leases their office space under an operating lease agreement which commenced in October 2000. The lease agreement has a term of 3 years. Rent expense incurred in connection with this lease was \$15,000 for the years ended December 31, 2002 and 2001.

**(7) CONCENTRATIONS**

For the year ended December 31, 2002, commission income received from four customers represented 67% of total revenues.

**(8) PENSION PLAN**

During 2002, the Company adopted a 401(k) profit sharing plan that covers all of the employees. Employees are fully vested in their employee contributions and employer "safe-harbor" contributions. The amount of pension costs recognized was \$15,432 for the year ended December 31, 2002.

SUPPLEMENTARY

FINANCIAL

INFORMATION

Schedule I

NAVAID FINANCIAL SERVICES, INC.  
 Computation of Net Capital Under Rule 15c3-1  
 of the Securities and Exchange Commission  
 December 31, 2002

Net capital:	
Total shareholders' equity	\$229,657
Less - ownership equity not allowable for net capital	-0-
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Total shareholders' equity qualified for net capital	229,657
Less - total non-allowable assets	48,678
Less - haircuts on securities	9,500
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Net capital	\$171,479
<hr/>	
Aggregate indebtedness	\$ 13,100
<hr/>	
Total aggregate indebtedness	\$ 13,100
<hr/>	
Computation of basic net capital requirement:	
Net capital requirement	\$ 5,000
Net capital	171,479
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Excess of net capital	\$166,479
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Excess of net capital at 1000%	\$170,169
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Ratio of aggregate indebtedness to net capital	.07 to 1
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**Schedule II**

**NAVAID FINANCIAL SERVICES, INC.  
Computation for Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
December 31, 2002**

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**Not Applicable: All customer transactions are cleared through  
another broker-dealer (member of New York Stock Exchange)  
on a fully disclosed basis.**

Schedule III

**NAVAID FINANCIAL SERVICES, INC.**  
**Information Relating to Possession or Control Requirements**  
**Under Rule 15c3-3 of the Securities and Exchange Commission**  
**December 31, 2002**

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**Not Applicable: All customer transactions are cleared through  
another broker-dealer (member of New York Stock Exchange)  
on a fully disclosed basis.**

**NAVAID FINANCIAL SERVICES, INC.**  
**Notes to Supplemental Schedules**  
**December 31, 2002**

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**Reconciliation of the audited computation of Net Capital (Schedule I) and the computation of Net Capital included in the Company's unaudited December 31, 2002 FOCUS Part IIA filing.**

Net capital per unaudited December 31, 2002 FOCUS Part IIA filing	\$172,707
Audit adjustment to non-allowable assets	(3,497)
Audit adjustment to employee compensation and benefits	2,533
Audit adjustment to other operating expenses	(264)
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Net capital	\$171,479

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