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U.S. 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  
OMB # 3235-0123  
Expires May 31, 1987

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2003  
8-24193

WASH. DC 155

REPORT FOR THE PERIOD BEGINNING 01/01/2002 AND ENDING 12/31/2002  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

CLFS Securities, Inc.

Official Use Only
FIRM ID. NO.

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

925 Euclid Ave., Suite 645

(No. and Street)

Cleveland, Ohio 44115

(City)

(State)

(Zip Code)

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

James A. Kaval 216-781-6650

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

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

PLANTE & MORAN, LLP

1422 Euclid Ave., Suite 430, Cleveland, Ohio 44115

(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 24 2003

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\* 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(c)(2).

MAR 21 2003

OATH OR AFFIRMATION

I, James A. Kaval, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CLFS Securities, Inc., as of December 31, 2002, ~~XXXX~~ 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature  
President  
Title

  
Notary Public

**CHERYL L. SCARBRO**  
Notary Public, State of Ohio, Cuy. Cty.  
My Commission Expires Sept. 24, 2003

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).

**CLFS Securities, Inc.**

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**Financial Report  
with Additional Information  
December 31, 2002**

# CLFS Securities, Inc.

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**Plante & Moran, PLLC**

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1422 Euclid Ave.  
Cleveland, OH 44115  
Tel: 216.523.1010  
Fax: 216.523.1025  
plantemoran.com

**Independent Auditor's Report**

To the Stockholder  
CLFS Securities, Inc.

We have audited the accompanying statement of financial condition of CLFS Securities, Inc. as of December 31, 2002 and the related statements of operations, and changes in stockholder's equity, cash flows, and changes in liabilities subordinated to claims of general creditors for the year then ended. These financial statements are the responsibility of CLFS Securities, Inc.'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 referred to above present fairly, in all material respects, the financial position of CLFS Securities, Inc. as of December 31, 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 accompanying supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplemental 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 presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

January 23, 2003

A member of



A worldwide association of independent accounting firms

# CLFS Securities, Inc.

## Statement of Financial Condition December 31, 2002

Form  
X-17A-5  
Line

	<b>Assets - Current</b>	
I	Cash and cash equivalents	\$ 1,055
4D	Investments	7,500
11	Other assets	<u>6,000</u>
	Total assets	<u>\$ 14,555</u>
	<b>Liabilities - Current</b>	
17	Accounts payable	\$ 900
	<b>Stockholder's Equity</b>	
23B	Common stock - No par value:	
	Authorized - 500 shares	
	Issued - 280 shares	
	Outstanding - 154 shares	13,440
23C	Additional paid-in capital	10,721
23D	Retained earnings	<u>33,540</u>
	Total	57,701
23F	Less treasury stock - 126 shares	<u>44,046</u>
24	Total stockholder's equity	<u>13,655</u>
	Total liabilities and stockholder's equity	<u>\$ 14,555</u>

# CLFS Securities, Inc.

## Statement of Operations Year Ended December 31, 2002

Form  
X-17a-5  
Line

7	Revenue - Management and supervisory fees	\$ 1,250
	<b>Operating Expenses</b>	
14	Administrative fees	900
15	Legal and accounting	1,275
15	Travel	418
14	Licenses and fees	670
15	Insurance	369
15	Bank service charges	<u>135</u>
	Total operating expenses	<u>3,767</u>
	<b>Operating Loss</b>	(2,517)
8	Interest income	<u>34</u>
	<b>Net Loss</b>	<u>\$ (2,483)</u>

## CLFS Securities, Inc.

### Statement of Changes in Stockholder's Equity Year Ended December 31, 2002

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance - January 1, 2002	\$ 13,440	\$ 7,721	\$ (44,046)	\$ 36,023	\$ 13,138
Net loss	-	-	-	(2,483)	(2,483)
Contribution to paid-in capital	-	3,000	-	-	3,000
Balance - December 31, 2002	<u>\$ 13,440</u>	<u>\$ 10,721</u>	<u>\$ (44,046)</u>	<u>\$ 33,540</u>	<u>\$ 13,655</u>

## **CLFS Securities, Inc.**

### **Statement of Cash Flows Year Ended December 31, 2002**

<b>Net Decrease in Cash</b>	
Net loss	\$ (2,483)
Changes in operating liabilities - Increase in accounts payable	<u>900</u>
<b>Cash Used in Operating Activities</b>	(1,583)
<b>Cash Used in Investing Activities - Purchase of certificate of deposit</b>	(6,000)
<b>Cash Provided by Financing Activities - Contribution to paid-in capital</b>	3,000
<b>Cash and Cash Equivalents - January 1, 2002</b>	<u>5,638</u>
<b>Cash and Cash Equivalents - December 31, 2002</b>	<u><u>\$ 1,055</u></u>

**CLFS Securities, Inc.**

**Statement of Changes in Liabilities Subordinated to  
Claims of General Creditors**

Balance - January 1, 2002	\$ -
Increase	-
Decrease	-
Balance - December 31, 2002	<u>\$ -</u>

# CLFS Securities, Inc.

## Notes to Financial Statements December 31, 2002

### Note 1 - Summary of Significant Accounting Policies

CLFS Securities, Inc. (the "Company") was incorporated on July 1, 1975 in the state of Ohio for the purpose of underwriting publicly offered securities. Significant accounting policies followed by the Company are presented below:

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Investments** - Investments consist of marketable equity securities reported at fair value. Unrealized appreciation or depreciation in fair value is recognized in earnings.

**Income Taxes** - The Company has elected to be taxed as a Subchapter S Corporation under the Internal Revenue Code. S Corporation status provides for corporate taxable income to be passed through and taxed at the stockholder level.

### Note 2 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital equivalent to the greater of \$5,000 or 1/15<sup>th</sup> of aggregate indebtedness. At December 31, 2002, the Company had \$900 of aggregate indebtedness and the Company's net capital was \$6,125, which exceeded the net capital requirement of \$5,000 by \$1,125.

The State of Ohio Division of Securities requires the Company to maintain a minimum net worth of not less than \$10,000, and the Company's total stockholder's equity of \$13,655 exceeds this requirement by \$3,655.

### Note 3 - Related Party Transactions

The Company pays administrative fees to a company related by common ownership. Administrative expenses for the year ended December 31, 2002 were \$900.

## **Additional Information**

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# CLFS Securities, Inc.

## Computation of Net Capital Pursuant to Rule 15c3-1 Year Ended December 31, 2002

Form  
X-17A-5  
Line

<b>Computation of Net Capital</b>		
1	Total stockholder's equity from statement of financial condition	\$ 13,655
2	Less stockholder's equity not allowable for net capital	<u>-</u>
3	Total stockholder's equity qualified for net capital	13,655
6D	Total other deductions	<u>7,500</u>
8	Net capital before haircuts on security positions	6,155
9	Haircuts on securities pursuant to 15(c)3-1(f)	<u>30</u>
10	Net capital	<u><u>\$ 6,125</u></u>
<b>Computation of Basic Net Capital Requirement</b>		
11	Minimum net capital required ( $\$900 \times 6 \frac{2}{3}\%$ )	\$ 60
12	Minimum dollar requirement	5,000
13	Net capital requirement	<u>5,000</u>
14	Excess net capital	<u><u>\$ 1,125</u></u>
15	Excess net capital at 100 percent	<u><u>\$ 6,035</u></u>
<b>Aggregate Indebtedness</b>		
16 and 19	Aggregate indebtedness liabilities	<u><u>\$ 900</u></u>
20	Percent of aggregate indebtedness to net capital	<u><u>15%</u></u>
21	Percent of debt to debt-equity computed in accordance with Rule 15c3-1(d)	<u><u>- %</u></u>

**CLFS Securities, Inc.**

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**Computation for Determination of Reserve Requirements  
Pursuant to Rule 15c3-3  
December 31, 2002**

Not required to prepare under Reg. Section 240.15c3-3(k)(2)(B)

**CLFS Securities, Inc.**

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**Information Relating to the Possession and Control Requirements  
Pursuant to Rule 15c3-3  
December 31, 2002**

Not required to prepare under Reg. Section 240.15c3-3(k)(2)(B)

**CLFS Securities, Inc.**

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**Schedule of Segregation Requirements and Funds in Segregation  
Pursuant to the Commodity Exchange Act  
December 31, 2002**

Not required to prepare. CLFS Securities, Inc. does not effect trades in the commodity markets.

# CLFS Securities, Inc.

## Reconciliation Pursuant to Rule 17a-5(d)(4) Year Ended December 31, 2002

Form X-17A-5 Line		Audited	Unaudited	Increase (Decrease)
<b>Computation of Net Capital</b>				
1	Total stockholder equity from statement of financial condition	\$ 13,655	\$ 13,655	\$ -
6D	Less deductions	7,500	\$ 7,500	
9	Less Haircuts	<u>30</u>	<u>30</u>	<u>-</u>
10	Net capital	<u>\$ 6,125</u>	<u>\$ 6,125</u>	<u>\$ -</u>
<b>Computation of Basic Net Capital Requirements</b>				
11	Minimum net capital required	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$ -</u>
12	Minimum dollar requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
13	Net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
14	Excess net capital:			
	Net capital	\$ 6,125	\$ 6,125	\$ -
	Less net capital requirement	<u>5,000</u>	<u>5,000</u>	<u>-</u>
	Total	<u>\$ 1,125</u>	<u>\$ 1,125</u>	<u>\$ -</u>
15	Excess net capital at 100 percent	<u>\$ 6,065</u>	<u>\$ 6,065</u>	<u>\$ -</u>
<b>Computation of Aggregate Indebtedness</b>				
	Aggregate indebtedness liabilities	\$ 900	\$ 900	\$ -
16 and 19	Percent of aggregate indebtedness to net capital	<u>15%</u>	<u>15%</u>	<u>- %</u>
20	Percent debt to debt-equity computed in accordance with Rule 15c3-1(d)	<u>- %</u>	<u>- %</u>	<u>- %</u>