

SECURITY



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

3/7

SEC FILE NUMBER
8-48553

**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**

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2002 AND ENDING DECEMBER 31, 2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: COMMUNITY FINANCIAL CENTERS, INC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

270 SOUTH TAMiami TRAIL

(No. and Street)

VENICE

(City)

FL

(State)

34285

(Zip Code)

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

WILLIAM R. WHITE, JR.

(941) 484-6120

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

BEEMER, PRICHER, KUEHNHACKL & HEIDBRINK, P.A.

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

1560 N. ORANGE AVENUE, SUITE 600 WINTER PARK, FL

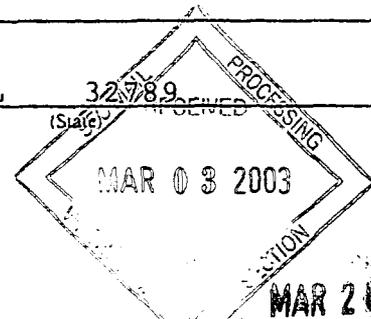
(Address)

(City)

32789

(State)

(Zip Code)



MAR 20 2003

**CHECK ONE:**

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

FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

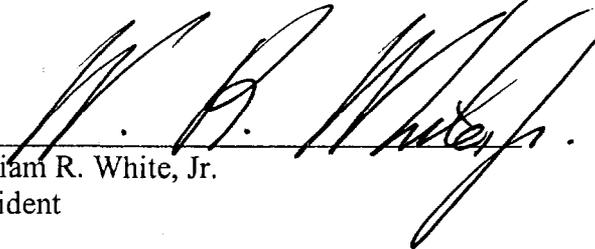
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

BPJ 3/19

OATH OR AFFIRMATION

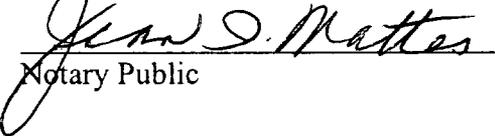
I, William R. White, Jr., swear (or affirm) that to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Community Financial Centers, Inc. as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the 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:

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

  
\_\_\_\_\_  
William R. White, Jr.  
President



Jean I Mattes  
My Commission DD160635  
Expires February 07 2007

  
\_\_\_\_\_  
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 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.
- o. Independent Auditor's Report.
- p. Independent Auditor's Report on Internal Control.

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

**COMMUNITY FINANCIAL CENTERS, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2002**

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BEEMER, PRICHER, KUEHNHACKL & HEIDBRINK, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

1560 N. ORANGE AVENUE, SUITE 600, WINTER PARK, FLORIDA 32789-5552  
(407) 998-9000 / FAX (407) 998-9010



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Community Financial Centers, Inc.

We have audited the accompanying statement of financial condition of Community Financial Centers, Inc. as of December 31, 2002 and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended. 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 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 Community Financial Centers, Inc. as of December 31, 2002, and the results of its operations and changes in liabilities subordinated to claims of general creditors 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in the schedules on pages 12, 13 and 14 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 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 fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Beemer, Pricher, Kuehnhackl & Heidbrink, P.A.*

BEEMER, PRICHER, KUEHNHACKL AND HEIDBRINK, P.A.  
Winter Park, Florida  
January 27, 2003

**COMMUNITY FINANCIAL CENTERS, INC.**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2002**

**ASSETS**

Current assets:

Cash and cash equivalents	\$	60,049
Deposit with clearing agent		25,000
Commissions receivable		10,855
Other assets		338
Total assets	\$	<u>96,242</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Liabilities:

Commissions payable	\$	5,051
Liabilities subordinated to claims of general creditors		50,000
Total liabilities		<u>55,051</u>

Stockholder's equity:

Common stock, \$.01 par value, 1,000,000 shares authorized, 300 shares issued and outstanding		3
Additional paid-in capital		75,027
Accumulated deficit		<u>(33,839)</u>
Total stockholder's equity		<u>41,191</u>

Total liabilities and stockholder's equity	\$	<u>96,242</u>
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See accompanying notes to financial statements.

**COMMUNITY FINANCIAL CENTERS, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**Revenues:**

Commission income	\$ 226,278
Interest income	992
	<hr/>
Total revenues	227,270
	<hr/>

**Expenses:**

Commissions	112,719
Management fees	58,000
Employee leasing fees	23,187
Cost of processing trades	9,696
Office expense	5,932
Professional services	4,818
Licenses and permits	4,295
Interest expense	4,250
Insurance	815
Dues and subscriptions	800
	<hr/>
Total expenses	224,512
	<hr/>
Net income	\$ 2,758
	<hr/>

See accompanying notes to financial statements.

**COMMUNITY FINANCIAL CENTERS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
Balance, December 31, 2001	\$ 3	\$ 75,027	\$ (36,597)	\$ 38,433
Net income	-	-	2,758	2,758
Balance, December 31, 2002	<u>\$ 3</u>	<u>\$ 75,027</u>	<u>\$ (33,839)</u>	<u>\$ 41,191</u>

See accompanying notes to financial statements.

**COMMUNITY FINANCIAL CENTERS, INC.**  
**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED**  
**TO CLAIMS OF GENERAL CREDITORS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

Subordinated liabilities at January 1, 2002	\$	50,000
Increases		-
Decreases		-
Subordinated liabilities at December 31, 2002	\$	<u>50,000</u>

See accompanying notes to financial statements.

**COMMUNITY FINANCIAL CENTERS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 2,758
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease in commissions receivable	19,018
Decrease in other assets	282
Decrease in commissions payable	<u>(7,589)</u>
Net cash provided by operating activities	<u>14,469</u>
Net increase in cash and cash equivalents	14,469
Cash and cash equivalents at beginning of period	<u>45,580</u>
Cash and cash equivalents at end of period	<u>\$ 60,049</u>
 Supplemental disclosure:	
Interest paid	<u>\$ 4,250</u>

See accompanying notes to financial statements.

**COMMUNITY FINANCIAL CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**1 ORGANIZATION AND NATURE OF BUSINESS**

Community Financial Centers, 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 (NASD). The Company is a Florida corporation and is a wholly-owned subsidiary of Community National Bank Corporation. As a broker-dealer, the Company maintains no accounts for customers and for the year ended December 31, 2002, cleared all stock exchange transactions through RBC Dain Correspondent Services, a division of RBC Dain Rauscher, Inc. In addition, the Company, under separate selling contracts, acts as a sales agent for various insurance and mutual fund companies and in this capacity earns commissions on transactions.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The financial statements include the accounts of the Company, which do not include any securities or other investments for clients, as the possession and control of such assets is handled through the clearing broker, RBC Dain Correspondent Services, or various other insurance and mutual fund companies. Commission income for securities traded through the clearing broker and investments sold through the Company and the related expenses are reported on a trade date basis.

**Cash equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## COMMUNITY FINANCIAL CENTERS, INC.

### NOTES TO FINANCIAL STATEMENTS (continued)

#### Income taxes

The Company has elected to be a qualified subchapter S subsidiary of its parent company, which has elected to be taxed under the S corporation provisions of the Internal Revenue Code. Taxable income of the Company is included with the parent company's taxable income and is passed through and taxed to the individual shareholders. Accordingly, no provision for income taxes has been recorded in the financial statements.

#### Liabilities subordinated to claims of general creditors

The borrowings under the subordination agreement at December 31, 2002 consist of the following:

8.5% subordinated note, due December 1, 2004	<u>\$ 50,000</u>
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The subordinated borrowing is covered by an agreement approved by the NASD and is thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

#### 3 NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), 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, 2002, the Company had net capital of \$90,853, which was in excess of its minimum required net capital of \$50,000. The Company's ratio of aggregate indebtedness to net capital was .06 to 1 at December 31, 2002.

#### 4 RELATED PARTY TRANSACTIONS

The Company pays a management fee to Community Investment Centers, Inc. ("CICI"), a related corporation. This fee is intended to cover payroll costs, rent and utilities, repairs and maintenance, telephone, printing and reproduction, and use of furniture and equipment. For the year ended December 31, 2002, the management fee totaled \$58,000.

**COMMUNITY FINANCIAL CENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

As of December 31, 2002, the Company was indebted to its President for \$50,000 relating to the subordinated loan executed by the President on behalf of the Company.

As of December 31, 2002, the Company had \$16,354 on deposit at Community National Bank of Sarasota County, an affiliated entity.

**5 COMMITMENTS AND CONTINGENCIES**

In the normal course of conducting its business, the Company occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**COMMUNITY FINANCIAL CENTERS, INC.**

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION**

**DECEMBER 31, 2002**

Net capital:	
Total stockholder's equity	\$ 41,191
Deduct: unallowable equity	-
Add: subordinated liabilities, other deductions or allowable credits	50,000
Total capital	91,191
Deductions and/or charges:	
Non-allowable assets	(338)
Other additions and/or allowable credits	-
Net capital before haircuts on securities positions	90,853
Haircuts on securities positions (pursuant to Rule 15c3-1(f) where applicable)	-
Net capital	\$ 90,853

RECONCILIATION WITH FORM X-17A-5, PART IIA, AS FILED:

No material difference exists between Form X-17A-5, Part IIA, as filed, and the net capital per the audited financial statements for the period ended December 31, 2002.

Total aggregate indebtedness	\$ 5,051
Computation of net capital requirement:	
Minimum net capital required (6 2/3% of aggregate indebtedness)	\$ 337
Minimum dollar net capital requirement	\$ 50,000
Excess net capital	\$ 40,853
Excess net capital at 1000%	\$ 90,348
Ratio of aggregate indebtedness to net capital	0.06 to 1

**COMMUNITY FINANCIAL CENTERS, INC.**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

**DECEMBER 31, 2002**

The Company is exempt under subparagraph (k)(2)(ii) of Rule 15c3-3.

**COMMUNITY FINANCIAL CENTERS, INC.**

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

**DECEMBER 31, 2002**

The Company is exempt under subparagraph (k)(2)(ii) of Rule 15c3-3.



BEEMER, PRICHER, KUEHNHACKL & HEIDBRINK, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

1560 N. ORANGE AVENUE, SUITE 600, WINTER PARK, FLORIDA 32789-5552  
(407) 998-9000 / FAX (407) 998-9010



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors of  
Community Financial Centers, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Community Financial Centers, Inc. (the "Company") for the year ended December 31, 2002, we considered its internal control structure, including procedures 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 the internal control structure.

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 compliance with 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 an internal control structure 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 internal control structure policies and procedures 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 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

To the Board of Directors of  
Community Financial Centers, Inc.  
Page 2

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.

Our 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.

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 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 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 use of the Board of Directors, management, the SEC, the New York Stock Exchange 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.



BEEMER, PRICHER, KUEHNHACKL AND HEIDBRINK, P.A.  
Winter Park, Florida  
January 27, 2003