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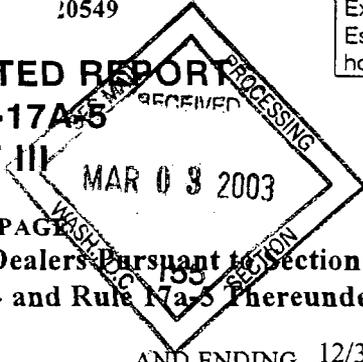
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



SEC FILE NUMBER
8- 65170

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: DOUGLAS FINANCIAL, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
159 VALLEY ROAD

OFFICIAL USE ONLY
FIRM I.D. NO.

PRINCETON NJ 08540
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DAVID MACK 212-744-1549
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
KAUFMANN, GALLUCCI, AND GRUMER, LLP
(Name - if individual, state last, first, middle name)
ONE BATTERY PARK PLAZA NEW YORK NY 10004
(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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MAR 24 2003	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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

2A

OATH OR AFFIRMATION

I, DAVID MACK, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DOUGLAS FINANCIAL, LLC, as of DECEMBER 31, 20 02, 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:

ROSLYN S. HARPER
NOTARY PUBLIC, STATE OF NEW YORK
No. 01HA6070734
QUALIFIED IN KINGS COUNTY
MY COMMISSION EXPIRES MARCH 11, 2004

Roslyn S. Harper
Notary Public

David Mack
Signature
VICE PRESIDENT
Title

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Operations.
(d) Statement of Cash Flows.
(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.
(o) Independent auditor's report on internal control.

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



DOUGLAS FINANCIAL, LLC

**REPORT ON STATEMENT
OF FINANCIAL CONDITION**

AS OF DECEMBER 31, 2002

DOUGLAS FINANCIAL, LLC

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**KAUFMANN,
GALLUCCI &
GRUMER LLP**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Member of Douglas Financial, LLC:

We have audited the accompanying statement of financial condition of Douglas Financial, LLC as of December 31, 2002 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement 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 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 financial statement referred to above presents fairly, in all material respects, the financial position of Douglas Financial, LLC as of December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

January 27, 2003

Kaufmann Gallucci & Grumer LLP

DOUGLAS FINANCIAL, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

ASSETS

Cash and cash equivalents	\$ <u>10,763</u>
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LIABILITIES AND MEMBER'S EQUITY

Liabilities:

Accounts payable, accrued expenses, and other liabilities	\$ <u>3,000</u>
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Member's Equity:

Member's equity	<u>7,763</u>
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TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ <u>10,763</u>
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The accompanying notes are an integral part
of this financial statement.

DOUGLAS FINANCIAL, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2002

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Douglas Financial LLC (the "Company"), a limited liability company, was organized under the laws of the State of New Jersey on October 10, 2001.

The Company is registered as a broker-dealer in securities with the Securities and Exchange Commission ("SEC"). The Company is also a member of the National Association of Securities Dealers, Inc.

The primary purpose of the Company is to derive revenue from fees earned by raising money from entities and qualified individuals for placement with money managers and investing by professional managers with whom the Company has agreements in place for such activities. The Company will also arrange for the sale of unregistered securities claiming an exemption under Regulation D Rule 506 of the Securities Act of 1933. All transactions in unregistered securities will be on a "best efforts" basis.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

- (a) The Company records income earned for service fees, net of commission expense. The profit and loss arising from these transactions is generated by money managers.
- (b) The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits
- (c) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - INCOME TAXES

The Company is a single member limited liability company. Accordingly, the Company is treated as a "disregarded entity" for tax purposes. Therefore, the Company's assets, liabilities, and items of income, deductions, and tax credits are treated as those of its member owner.

DOUGLAS FINANCIAL, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2002

NOTE 4 - REGULATORY REQUIREMENTS

As a registered broker-dealer the Company is subject to the SEC Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital, as defined, of \$5,000 or one-eighth of aggregate indebtedness, whichever is greater. Net capital and aggregate indebtedness change from day to day, but as of December 31, 2002 net capital exceeded the requirement by \$2,763.