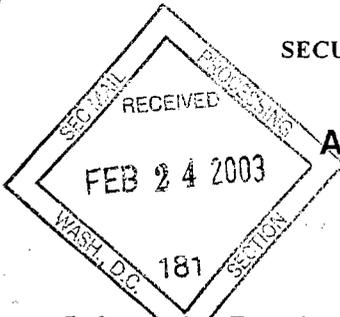


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OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden
hours per response... 12.00

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

SEC FILE NUMBER
~~8-50890~~

8-53670

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: Queen City Investment Funds, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
2693 Madison Road

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Cincinnati Ohio 45208
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Glen Galemno (513) 924-0990
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Spicer, Jeffries & Co.

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

4155 E. Jewell Avenue, Suite 307 Denver Colorado 80222
(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 06 2003

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)

OATH OR AFFIRMATION

I, Glen Galemno, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Queen City Investment Funds, 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:



LINDA M. SENA
Notary Public, State of Ohio
My Commission Expires
December 19, 2007

Notary Public

[Signature]
Signature
[Title]
Title

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 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 Auditors' Report on Internal Accounting Control.

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

QUEEN CITY INVESTMENT FUNDS, INC.

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED DECEMBER 31, 2002

QUEEN CITY INVESTMENT FUNDS, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Queen City Investment Funds, Inc.

We have audited the accompanying statement of financial condition of Queen City Investment Funds, Inc. as of December 31, 2002, and the related statements of operations, changes in shareholder's equity 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 Queen City Investment Funds, 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 financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying table of contents is presented for purposes of additional analysis and is not required for a fair presentation of the 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 our audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Denver, Colorado
January 24, 2003

QUEEN CITY INVESTMENT FUNDS, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

ASSETS

Cash	\$	14 664
Commissions receivable		6 280
Deposit with clearing broker		50 337
Prepaid expenses		<u>1 463</u>
 <i>TOTAL ASSETS</i>	 \$	 <u><u>72 744</u></u>

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES:

Accounts payable	\$	<u>18 864</u>
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COMMITMENTS AND CONTINGENCIES (Note 3)

SHAREHOLDER'S EQUITY (Notes 2 and 4):

Common stock, no par value; 100 shares authorized, issued and outstanding		49 995
Retained earnings		<u>3 885</u>

<i>TOTAL SHAREHOLDER'S EQUITY</i>		<u>53 880</u>
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<i>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</i>	\$	<u><u>72 744</u></u>
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QUEEN CITY INVESTMENT FUNDS, INC.

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2002

REVENUE:

Commissions \$ 255 953

EXPENSES:

Commissions paid 37 065
Clearing and trading fees 91 042
Regulatory fees and expenses 7 290
Contract and professional fees 75 934
General and administrative 41 928

Total expenses 253 259

OTHER INCOME:

Interest income 2 162

NET INCOME BEFORE INCOME TAXES 4 856

Income tax expense (971)

NET INCOME \$ 3 885

QUEEN CITY INVESTMENT FUNDS, INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 2002

	<u>Common</u> <u>Shares</u>	<u>Stock</u> <u>Amount</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u> <u>Shareholder's</u> <u>Equity</u>
BALANCES, December 31, 2001	91	\$ -	\$ -	\$ -
Issuance of common stock	9	49 995	-	49 995
Net income	<u>-</u>	<u>-</u>	<u>3 885</u>	<u>3 885</u>
BALANCES, December 31, 2002	<u>100</u>	<u>\$ 49 995</u>	<u>\$ 3 885</u>	<u>\$ 53 880</u>

QUEEN CITY INVESTMENT FUNDS, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	3 885
Adjustments to reconcile net income to net cash used in operating activities:		
Increase in commissions receivable		(6 280)
Increase in due from clearing broker		(50 337)
Decrease in prepaid expenses		1 965
Increase in accounts payable		<u>16 364</u>
<i>Net cash used in operating activities</i>		<u>(34 403)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of advances from shareholder		(50 000)
Issuance of common stock		<u>49 995</u>
<i>Net cash used in financing activities</i>		<u>(5)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (34 408)

CASH AND CASH EQUIVALENTS, at beginning of year 49 072

CASH AND CASH EQUIVALENTS, at end of year \$ 14 664

QUEEN CITY INVESTMENT FUNDS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Queen City Investment Funds, Inc. ("the Company") was incorporated in Ohio on November 20, 2001, and was approved as a securities broker-dealer registered with the Securities and Exchange Commission in March 2002.

Securities Transactions

The Company records securities transactions and related revenue and expenses on a trade date basis.

The Company, under Rule 15c3-3(k)(2)(ii), is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis. The Company's agreement with its clearing broker provides that as clearing broker, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the Act). It also performs all services customarily incident thereto, including the preparation and distribution of customer's confirmations and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the Company is a member.

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The Company's financial instruments, including cash, deposits with clearing broker, receivables, other assets and accounts payable are carried at amounts that approximate fair value due to the short-term nature of the instruments. When the Company holds securities for its own account, they are valued at market value using quoted market prices.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

QUEEN CITY INVESTMENT FUNDS, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

For financial statement purposes, the Company utilizes the asset and liability method of accounting for income taxes, as prescribed by Statement of Financial Accounting Standards No. 109. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled. Changes in tax rates are recognized in income in the period that includes the enactment date.

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 a minimum net capital, as defined under such provisions. At December 31, 2002, the Company had net capital and net capital requirements of \$51,410 and \$5,000, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was 0.37 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 8 to 1 during its first year of operations as a broker-dealer.

NOTE 3 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONTINGENCIES

In the normal course of business, the Company completes securities transactions on behalf of its clients through its clearing broker including the execution, settlement and financing of such transactions. These client transactions may expose the Company to off-balance sheet risk. In the event a client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

In addition, the Company bears the risk of any financial failure by its clearing broker. If the clearing broker should cease doing business, the Company's deposit with this clearing broker could be subject to forfeiture.

For the year ended December 31, 2002, approximately 65% of the Company's revenues were earned from executing transactions on behalf of an affiliated investment partnership.

NOTE 4 - SUBSEQUENT EVENTS

Effective January 31, 2003, the Company's sole shareholder entered into an agreement to transfer his ownership interest in the Company to another individual. The Company intends to continue its operations as a non-clearing broker dealer. The transfer of ownership is subject to approval by the self regulatory industry organization of which the Company is a member.

SUPPLEMENTARY INFORMATION

QUEEN CITY INVESTMENT FUNDS, INC.

COMPUTATION OF NET CAPITAL PURSUANT TO
UNIFORM NET CAPITAL RULE 15c3-1
DECEMBER 31, 2002

CREDIT:

Shareholder's equity \$ 53 880

DEBITS:

Non-allowable assets:

Prepaid expenses 1 463

Net capital before haircuts 52 417

Haircuts on money market funds 1 007

NET CAPITAL 51 410

Minimum requirements of 12 1/2% of aggregate indebtedness
of \$18,864 or \$5,000, whichever is greater 5 000

Excess net capital \$ 46 410

AGGREGATE INDEBTEDNESS:

Accounts payable \$ 18 864

RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL 0.37 to 1

NOTE: There are no material differences in the above computation of net capital with that included in the Company's corresponding unaudited Form X-17A-5 Part II Filing.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors
Queen City Investment Funds, Inc.

In planning and performing our audit of the financial statements and supplemental schedule of Queen City Investment Funds, Inc. for the period 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, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Queen City Investment Funds, Inc., that we considered relevant to the objectives stated in rule 17a-5(g), (i) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3; and (ii) for safeguarding the occasional receipt of cash and securities until promptly transmitted to the Company's clearing organization. We did not review the practices and procedures followed by the Company in 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, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 judgements 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 Commission'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 conformity 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 any internal control structure 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. This report recognizes that it is not practicable in an organization the size of Queen City Investment Funds, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

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 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 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 Commission 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 Commission's objectives.

In addition, our review indicated that Queen City Investment Funds, Inc. was in compliance with the conditions of exemption from rule 15c3-3 pursuant to paragraph k(2)(ii) as of December 31, 2002, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, Inc. and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Denver, Colorado
January 24, 2003