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

OMB APPROVAL  
OMB Number: 3235-0123  
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hours per response . . . 12.00

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

SEC FILE NUMBER -  
8- 48 294

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 1-1-02 AND ENDING 12-31-02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

NEXUS FINANCIAL, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

2910 N. ARCADIA STREET, #200

COLORADO SPRINGS (City) (No. and Street) COLORADO (State) 80907-6335 (Zip Code)

**PROCESSED  
MAR 13 2003  
THOMSON  
FINANCIAL**

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

ROBERT A. FORBES (Name) 719 630 7204 (Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

RICKORDS & ASSOCIATES, P.C.

617 N. 17TH STREET, SUITE 100 (Address) (Name - if individual, state last, first, middle name) COLORADO SPRINGS, COLORADO (City) 80904-3578 (Zip Code)

CHECK ONE:

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

STATE MAIL RECEIVED  
FEB 28 2003  
SECTION

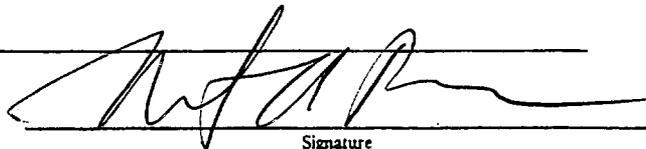
FOR OFFICIAL USE ONLY

\*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(e)(2).

OATH OR AFFIRMATION

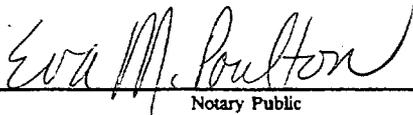
I, ROBERT A. FORBES, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NEXUS FINANCIAL, INC., as of DECEMBER 31, 19 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

  
Signature

PRESIDENT

Title

  
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 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).

NEXUS FINANCIAL, INC.

Accountants' Report and Financial Statements

FORM X-17A-5  
FOCUS REPORT

December 31, 2002 and December 31, 2001

NEXUS FINANCIAL, INC.

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**FINANCIAL STATEMENTS**



RICKORDS & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

617 North 17<sup>th</sup> Street  
Colorado Springs, CO 80904  
(719) 444-0770 (800) 480-0770 Toll Free  
(719) 444-0909 Fax (877) 457-2232 Toll Free Fax

The Board of Directors  
Nexus Financial, Inc.

We have audited the accompanying statement of financial condition of Nexus Financial, Inc., (the Company) as of December 31, 2002 and 2001, and the related statements of income, changes in stockholders' 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 audit.

We conducted our audit in accordance with 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 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 Nexus Financial, 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 generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information 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 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.

*Rickords & Associates, P.C.*  
*Rickords & Associates, P.C.*  
Rickords & Associates, P.C.  
Colorado Springs, CO 80904  
February 18, 2003

NEXUS FINANCIAL, INC.  
Statement of Financial Condition  
December 31, 2002 and 2001

Assets

	<u>2002</u>	<u>2001</u>
Current assets:		
Cash	\$26,115	\$18,438
Prepaid federal income tax	<u>0</u>	<u>840</u>
Total current assets	<u>26,115</u>	<u>19,278</u>
Investments:		
Marketable securities	5,935	00
NASD Investment	<u>3,300</u>	<u>3,300</u>
Total investments	<u>9,235</u>	<u>3,300</u>
Total assets	<u>\$35,350</u>	<u>\$22,578</u>

Liabilities and Stockholders' Equity

Current liabilities:		
Accrued payroll taxes	\$ 00	\$ 4,359
Income tax payable	<u>3,345</u>	<u>00</u>
Total current liabilities	<u>3,345</u>	<u>4,359</u>
Common stock, (\$1 par, 50,000 shares authorized, 1,500 issued)	1,500	1,500
Paid-in capital	10,050	10,050
Unrealized loss on marketable securities	(904)	00
Retained earnings	<u>21,359</u>	<u>6,669</u>
Total stockholders' equity	<u>32,005</u>	<u>18,219</u>
Total liabilities and stockholders' equity	<u>\$35,350</u>	<u>\$22,578</u>

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

NEXUS FINANCIAL, INC.  
Statement of Income and Retained Earnings  
For the years ended  
December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Total Revenue	\$394,443	\$448,143
Selling expenses:		
Management fees	143,100	180,800
Profit sharing contributions	16,141	17,196
Money purchase contributions	614	11,672
Travel	19,291	19,552
Total selling expenses	<u>179,146</u>	<u>229,220</u>
General and administrative expenses:		
Salaries	97,469	113,389
Bank charges	165	134
Dues and subscriptions	5,247	4,444
Equipment rental	193	1,561
Insurance	28,956	24,769
Professional fees	4,250	4,000
Miscellaneous expense	150	450
Office expense	9,800	14,120
Outside services	557	2,728
Postage	6,196	6,833
Printing	976	2,231
Professional development	00	692
License and fees	2,137	1,369
Entertainment	182	216
Public relations	175	150
Telephone	15,900	16,061
Rent expense	15,000	14,250
Repair and maintenance	1,942	3,397
Taxes	8,884	9,257
Total general and administrative expenses	<u>198,179</u>	<u>220,051</u>
Total Expenses	<u>377,325</u>	<u>449,271</u>
Net income (loss) before taxes	17,118	(1,128)
Federal income tax	2,559	00
Net income (loss)	<u>14,559</u>	<u>(1,128)</u>
Retained earnings, beginning of year	6,669	7,797
Federal tax refund	131	00
Retained earnings, end of year	<u>\$ 21,359</u>	<u>\$ 6,669</u>
Earnings (loss) per share	<u>\$ 9.71</u>	<u>\$ (.75)</u>

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

NEXUS FINANCIAL, INC.  
Statement of Cash Flows  
For the years ended  
December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Cash received from clients	\$394,443	\$448,025
Interest received	00	118
Cash paid to employees, suppliers, and for services	<u>(386,766)</u>	<u>(445,426)</u>
Net Cash From Operating Activities	<u>7,677</u>	<u>2,717</u>
 Cash & cash equivalents at beginning of period	 <u>18,438</u>	 <u>15,721</u>
 Cash & cash equivalents at end of period	 <u>\$ 26,115</u>	 <u>\$ 18,438</u>

Reconciliation of Net Operating Income to Net Cash  
Provided/Used by Operating Activities

	<u>2002</u>	<u>2001</u>
Net income (loss)	\$ 14,559	\$ (1,128)
Adjustment to reconcile net income to Net cash provided by operating Activities:		
Federal income tax refund	<u>131</u>	<u>00</u>
	14,690	(1,128)
Changes in:		
Decrease(increase in marketable securities	(6,839)	00
Decrease(increase)in accounts receivable	00	1,172
Decrease(increase)prepaid federal income tax	840	(840)
(Decrease)increase in accrued expenses	(4,359)	4,359
(Decrease)increase in income tax payable	<u>3,345</u>	<u>(846)</u>
Total adjustments	<u>(7,013)</u>	<u>3,845</u>
Net Cash From operating activities	<u>\$ 7,677</u>	<u>\$ 2,717</u>

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

NEXUS FINANCIAL, INC.  
Statement of Changes in Stockholders Equity  
For the years ended  
December 31, 2002 and 2001

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Unrealized Loss</u>	<u>Total</u>
Balance, December 31, 2000	\$1,500	\$10,050	\$ 7,797	\$ 00	\$19,347
Net loss, December 31, 2001	<u>00</u>	<u>00</u>	<u>(1,128)</u>	<u>00</u>	<u>(1,128)</u>
Balance, December 31, 2001	\$1,500	\$10,050	\$ 6,669	00	\$18,219
Income tax refund	00	00	131	00	131
Unrealized loss on marketable sec.	00	00	00	(904)	(904)
Net income, December 31, 2002	<u>00</u>	<u>00</u>	<u>14,559</u>	<u>00</u>	<u>14,559</u>
Balance, December 31, 2002	<u>\$1,500</u>	<u>\$10,050</u>	<u>\$21,359</u>	<u>\$(904)</u>	<u>\$32,005</u>

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

NEXUS FINANCIAL, INC.  
Notes to the Financial Statements  
December 31, 2002 and 2001

(1) The Company is owned by four stockholders

375 shares	Robert A. Forbes
375 shares	Stephen R. Dierks
375 shares	Clifford B. Poulton
375 shares	Louis M. Jiminez

In accordance with regulations under the Securities Exchange Act of 1934 the Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD). This is a self-regulating body formed by the industry to protect its members and the investing public.

(2) Summary of Significant Accounting Policies

a. Basis of Presentation

The financial statements include the accounts of the Company. The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions, investment banking, investment advisory, and venture capital businesses.

b. Securities Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities and commodities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

NEXUS FINANCIAL, INC.  
Notes to the Financial Statements  
December 31, 2002 and 2001

c. Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

d. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business.

e. Deferred Compensation

No provision is made for holidays and sick leave pay since only those on commission basis would be eligible and there is no agreement. Any amounts determined for deferred compensation would be immaterial. No provisions for salaried personnel.

f. Property and Equipment

Property and equipment are carried at cost. Maintenance and repairs are charged to costs as incurred. Expenditures for major betterments are capitalized. Gain or loss on retirement of property is included in income.

g. Estimates

There are no significant estimates used in preparation of financial statements.

(3) Related party transactions

The Company is owned by four stockholders. During the period ended December 31, 2002, management fees in the amount of \$143,100 were paid to Nexus Financial Programs, Inc., which is also owned by Robert A. Forbes, Stephen R. Dierks, Clifford B. Poulton and Louis M. Jiminez. The building is owned by SCR, LLC with the equal partners: Robert A. Forbes, Stephen R. Dierks and Clifford B. Poulton.

NEXUS FINANCIAL, INC.  
Notes to the Financial Statement  
December 31, 2002 and 2001

(4) Financial Instruments

The Company maintains three cash balances at two financial institution. The balances are \$827 and \$25,288, also a savings account with a balance of \$5,935. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2001, there were no concentrations of credit risk in the cash accounts.

(5) Profit Sharing Plan

A Profit-Sharing Plan was established with the effective date of April 1, 1995. Employees are eligible with 0 years of service when they have attained the age of 21. Credited service is based on actual hours for which an Employee is paid or entitled to payment. Contributions are discretionary pursuant to Employer resolution and if no resolution is adopted then 3% of Participant's compensation. Normal retirement age shall be 55 years. The plan permits hardship withdrawal and loans to Participants. There is 100% vesting immediately after satisfaction of the eligibility requirements.

(6) Money Purchase Pension Plan

A money purchase plan was established September 11, 1997. Employees are eligible with 0 years of service when they have attained the age of 21. Compensation is determined by wages paid for purposes of income tax withholding. The employer will contribute 10% of compensation for each participant. Normal retirement age is 55 with no early retirement permitted. Vesting is immediate after eligibility requirements are satisfied.

(7) Management Agreement

An agreement for management services was entered into on November 3, 1995 between Nexus financial Programs, Inc. and Nexus Financial, Inc. to purchase management services on a continuing basis beginning January, 1996 to pay a management fee. The fee will be the lesser of 100% of the gross dealer concessions and service fee actually received during the prior month. Or such amount that when properly recorded will not cause the "Net capital" as defined by the NASD to fall below 120% of the Net Capital requirement.

NEXUS FINANCIAL, INC.  
Notes to the Financial Statements  
December 31, 2002 and 2001

(8) Earnings (Loss) per Share

Earnings (loss) per share of common stock were computed by dividing net income (loss) by the number of common shares outstanding for the year.

(9) Liabilities Subordinated to Claims of General Creditors

There were no borrowings under subordination agreements at December 31, 2002.

The Company had no other debt at December 31, 2002.

(10) Capital Stock

A summary of the corporation's capital stock at December 31, 2002 is as follows:

Common stock -- \$1.00 per value  
Authorized -- 50,000 shares  
Issued and outstanding -- 1,500 shares

(11) Risk

a. Two Cash-Checking accounts were maintained in one bank with a balances of \$25,287.94 and \$826.94 with a savings account in another bank with a balance of \$5,934.77. All balances are fully covered by FDIC insurance.

b. The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

(12) Focus Report Reconciliation

Net income per focus reports	\$17,891
State income tax	(786)
Correction in expenses	<u>13</u>
Adjusted net income per financial statements	<u>\$17,118</u>

NEXUS FINANCIAL, INC.  
Notes to the Financial Statements  
December 31, 2002 and 2001

Assets, liabilities and stockholders' equity per focus report	\$36,110
Marketable securities adjustments	(904)
Bank account and expense adjustments	<u>144</u>
Adjusted total assets and total liabilities and stockholders' equity	<u>\$35,350</u>
Total aggregate indebtedness per focus report	\$ 00
Income tax liabilities	<u>3,345</u>
Adjusted total aggregate indebtedness	<u>\$ 3,345</u>
Percentage of aggregate indebtedness to net capital	12%

**SUPPLEMENTARY INFORMATION**

**FORM  
X-17A-5**

**FOCUS REPORT**

(5-31-07)

(Financial and Operational Combined Uniform Single Report)

**PART IIA** 12

3/91

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a)  16      2) Rule 17a-5(b)  17      3) Rule 17a-11  18  
 4) Special request by designated examining authority  19      5) Other  26

NAME OF BROKER-DEALER

NEXUS FINANCIAL, INC.

SEC FILE NO.

8-48294

14

FIRM ID. NO.

15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

2910 N. ARCADIA STREET, #200

FOR PERIOD BEGINNING (MM/DD/YY)

1-1-02

24

(No. and Street)

AND ENDING (MM/DD/YY)

12-31-02

25

COLORADO SPRINGS

21

COLORADO

22

80907-6335

23

(City)

(State)

(Zip Code)

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

ROBERT A. FORBES

(Area Code)—Telephone No.

719 630 7204

31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 21<sup>ST</sup> day of Feb 19 2003

Manual signatures of:

1) [Signature]  
Principal Executive Officer or Managing Partner

2) [Signature]  
Principal Financial Officer or Partner

3) [Signature]  
Principal Operations Officer or Partner

**ATTENTION**—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 701(a))

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER **NEXUS FINANCIAL, INC.**

**N 3**

100

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND  
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) **12-31-02**

SEC FILE NO. **8-48294**

99

98

**ASSETS**

Consolidated   
Unconsolidated

198

199

Allowable

Non-Allowable

Total

1. Cash	\$	26,115	200	\$	26,115	750
2. Receivables from brokers or dealers:						
A. Clearance account			295			
B. Other			300	\$	550	810
3. Receivables from non-customers			355		600	830
4. Securities and spot commodities owned, at market value:						
A. Exempted securities			418			
B. Debt securities			419			
C. Options			420			
D. Other securities		5,935	424			5,935
E. Spot commodities			430			850
5. Securities and/or other investments not readily marketable:						
A. At cost	\$		130			
B. At estimated fair value			440	3,300	610	3,300
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			460		630	800
A. Exempted securities	\$		150			
B. Other securities	\$		160			
7. Secured demand notes, market value of collateral:			470		640	890
A. Exempted securities	\$		170			
B. Other securities	\$		180			
8. Memberships in exchanges:						
A. Owned, at market	\$		190			
B. Owned, at cost					650	
C. Contributed for use of the company, at market value					660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships			480		670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization			490		680	920
11. Other assets			535		735	930
12. TOTAL ASSETS	\$	32,050	540	\$	3,300	740
				\$	35,350	940

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER NEXUS FINANCIAL, INC.**

as of 12-31-02

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING  
AND CERTAIN OTHER BROKERS OR DEALERS**

**LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable . . . . .	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account . . . . .	1114	1315	1560
B. Other . . . . .	1115	1305	1540
15. Payable to non-customers . . . . .	1155	1355	1610
16. Securities sold not yet purchased, at market value . . . . .		1360	1620
17. Accounts payable, accrued liabilities, expenses and other . . . . .	3,345 1205	1385	3,345 1685
18. Notes and mortgages payable:			
A. Unsecured . . . . .	1210		1690
B. Secured . . . . .	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ . . . . .	970		1710
2. Includes equity subordination (15c3-1 (d)) of . . . . . \$ . . . . .	980		
B. Securities borrowings, at market value: . . . . .		1410	1720
from outsiders \$ . . . . .	990		
C. Pursuant to secured demand note collateral agreements: . . . . .		1420	1730
1. from outsider: \$ . . . . .	1000		
2. Includes equity subordination (15c3-1 (d)) of . . . . . \$ . . . . .	1010		
D. Exchange memberships contributed for use of company, at market value . . . . .		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes . . . . .	1220	1440	1750
20. <b>TOTAL LIABILITIES</b> . . . . .	\$ 3,345 1230	\$ 1450	\$ 3,345 1760

**Ownership Equity**

21. Sole proprietorship . . . . .		\$ 1770
22. Partnership (limited partners . . . . .	\$ 1020	\$ 1780
23. Corporation:		
A. Preferred stock . . . . .		1791
B. Common stock . . . . .		1,500 1792
C. Additional paid-in capital . . . . .		10,050 1793
D. Retained earnings . . . . .		20,455 1794
E. Total . . . . .		32,005 1795
F. Less capital stock in treasury . . . . .		1796
24. <b>TOTAL OWNERSHIP EQUITY</b> . . . . .		\$ 32,005 1800
25. <b>TOTAL LIABILITIES AND OWNERSHIP EQUITY</b> . . . . .		\$ 35,350 1810

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**    **NEXUS FINANCIAL, INC.**

as of 12-31-02

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition.....	\$	32,005		3480
2. Deduct ownership equity not allowable for Net Capital.....	▼		19	3490
3. Total ownership equity qualified for Net Capital.....		32,005		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital.....				3520
B. Other (deductions) or allowable credits (List).....				3525
5. Total capital and allowable subordinated liabilities.....	\$			3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C).....	▼	3,300		3540
B. Secured demand note deficiency.....				3590
C. Commodity futures contracts and spot commodities- proprietary capital charges.....				3600
D. Other deductions and/or charges.....				3610
7. Other additions and/or allowable credits (List).....			( 3,300 )	3620
8. Net capital before haircuts on securities positions.....	▼			3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):				3640
A. Contractual securities commitments.....	\$			3660
B. Subordinated securities borrowings.....				3670
C. Trading and investment securities:				
1. Exempted securities.....	▼			3735
2. Debt securities.....				3733
3. Options.....				3730
4. Other securities.....				3734
D. Undue Concentration.....				3650
E. Other (List).....				3736
10. Net Capital.....	\$	28,705		3740
				3750

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**      **NEXUS FINANCIAL, INC.**

as of 12-31-02

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19) .....	\$	223	3750
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	5,000	3750
13. Net capital requirement (greater of line 11 or 12) .....	\$	5,000	3760
14. Excess net capital (line 10 less 13) .....	\$	23,705	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	28,370	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	3,345	3790
17. Add:			
A. Drafts for immediate credit .....	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810	
C. Other unrecorded amounts (List) .....	\$	3820	3830
19. Total aggregate indebtedness .....	\$	3,345	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....	%	12	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....	%		3860

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880
24. Net capital requirement (greater of line 22 or 23) .....	\$	3760
25. Excess net capital (line 10 less 24) .....	\$	3910
26. Net capital in excess of:		
5% of combined aggregate debit items or \$120,000 .....	\$	3920

OMIT PENNIE

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**      **NEXUS FINANCIAL, INC.**

For the period (MMDDYY) from 1-1-02 3932 to 12-31-02 3933  
Number of months included in this statement 12 3931

**STATEMENT OF INCOME (LOSS)**

**REVENUE**

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$		3935
b. Commissions on listed option transactions			3938
c. All other securities commissions			3939
d. Total securities commissions			3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			3945
b. From all other trading			3949
c. Total gain (loss)			3950
3. Gains or losses on firm securities investment accounts			3952
4. Profit (loss) from underwriting and selling groups			3955
5. Revenue from sale of investment company shares		394,443	3970
6. Commodities revenue			3990
7. Fees for account supervision, investment advisory and administrative services			3975
8. Other revenue			3995
9. Total revenue	\$	394,443	4030

**EXPENSES**

10. Salaries and other employment costs for general partners and voting stockholder officers	\$	112,011	4120
11. Other employee compensation and benefits		51,498	4115
12. Commissions paid to other broker-dealers			4140
13. Interest expense			4075
a. Includes interest on accounts subject to subordination agreements		4070	
14. Regulatory fees and expenses		2,137	4195
15. Other expenses		211,679	4100
16. Total expenses	\$	377,325	4200

**NET INCOME**

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	17,118	4210
18. Provision for Federal income taxes (for parent only)		2,559	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			4222
a. After Federal income taxes of		4238	
20. Extraordinary gains (losses)			4224
a. After Federal income taxes of		4239	
21. Cumulative effect of changes in accounting principles			4225
2. Net income (loss) after Federal income taxes and extraordinary items	\$	14,559	4230

**MONTHLY INCOME**

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$		4211
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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER      NEXUS FINANCIAL, INC.

For the period (MMDDYY) from 1-1-02 to 12-31-02

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period.....	\$	6,669	4240
A. Net income (loss).....		14,559	4250
B. Additions (Includes non-conforming capital of <u>TAX REFUND</u> .....)	\$	4262	4260
C. Deductions (Includes non-conforming capital of.....)	\$	4272	4270
2. Balance, end of period (From item 1800).....	\$	21,359	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period.....	\$	4300
A. Increases.....		4310
B. Decreases.....		4320
4. Balance, end of period (From item 3520).....	\$	4330

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER NEXUS FINANCIAL, INC.** as of 12-31-02

**Exemptive Provision Under Rule 15c3-3**

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 ..... 4550
- B. (k) (2)(A)—“Special Account for the Exclusive Benefit of customers” maintained ..... 4560
- C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm Y 4335 4570
- D. (k) (3)—Exempted by order of the Commission ..... 4580

**Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.**

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)		
Y 31	4600	4601	4602	4603	4604	4605	
Y 31	4610	4611	4612	4613	4614	4615	
Y 31	4620	4621	4622	4623	4624	4625	
Y 31	4630	4631	4632	4633	4634	4635	
Y 31	4640	4641	4642	4643	4644	4645	
Y 31	4650	4651	4652	4653	4654	4655	
Y 31	4660	4661	4662	4663	4664	4665	
Y 31	4670	4671	4672	4673	4674	4675	
Y 31	4680	4681	4682	4683	4684	4685	
Y 31	4690	4691	4692	4693	4694	4695	
<b>TOTAL \$</b>						NONE	4699

OMIT PENNIES

**Instructions:** Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

- WITHDRAWAL CODE: DESCRIPTION**
- 1. Equity Capital
  - 2. Subordinated Liabilities
  - 3. Accruals
  - 4. 15c3-1(c)(2)(iv) Liabilities

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

RICKORDS & ASSOCIATES, P.C.

617 N. 17TH STREET, SUITE 100 COLORADO SPRINGS

CO 70

80904

ADDRESS      Number and Street      City      State      Zip Code

71

72

73

74

Check One

Certified Public Accountant

75

FOR SEC USE

Public Accountant

76

Accountant not resident in United States or any of its possessions

77

DO NOT WRITE UNDER THIS LINE ... FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

Nexus Financial, Inc.

Computation for Determination of Reserve  
Requirements in accordance with Rule 15c3-3

and

Reconciliation of Computation of Reserve  
Requirements pursuant to Rule 17a5(d) (4)

and

Information Relating to the Possession or  
Control Requirements under Rule 15c3-3

Under the Securities Exchange Act of 1934

December 31, 2002 and 2001

Under Rule 15c3-3(k)(2)(B) Nexus Financial, Inc. is exempt from a computation for determination of Reserve Requirements as required under Rule 15c3-3 the respective Reconciliation of Computation for determination of Reserve Requirements as required under Rule 17A5(d)(4) and information relating to the possession or control required under Rule 15c3-3.

Nexus Financial, Inc.

Computation of Aggregate indebtedness and net capital in accordance with Rule 15c-1 under the Securities Exchange Act of 1934.

December 31, 2002

Aggregate indebtedness:	
Accrued expenses	<u>\$ 3,345</u>
Total aggregate indebtedness	<u>\$ 3,345</u>
Net capital:	
Credit items:	
Retained earnings	\$21,359
Unrealized loss on marketable securities	(904)
Additional paid-in capital and common stock	<u>11,550</u>
Total credit items	<u>\$32,005</u>
Deductions and charges:	
Nonallowable assets	<u>\$ 3,300</u>
Total deductions and charges	<u>\$ 3,300</u>
Net capital	<u>\$28,705</u>
Capital requirements:	
Required capital	\$ 5,000
Net capital in excess of requirements	<u>23,705</u>
Net capital	<u>\$28,705</u>
Percent of aggregate indebtedness to net capital	12%

There were no liabilities subordinated to claims of general creditors.

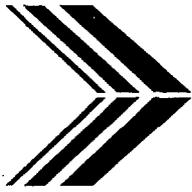
Nexus Financial, Inc.

Reconciliation of Net Capital Pursuant to rule 15c3-1  
Under the Securities Exchange Act of 1934

December 31, 2002

Computation of Net Capital

Net capital as reported on 17a-Part IIA (Focus Report) as of December 31, 2002	\$32,810
Adjustments:	
Unrealized loss on marketable securities	(904)
Federal & state income tax payable	(3,345)
Expense adjustment	<u>144</u>
Adjusted net capital	<u>\$28,705</u>



RICKORDS & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

617 North 17<sup>th</sup> Street  
Colorado Springs, CO 80904  
(719) 444-0770 (800) 480-0770 Toll Free  
(719) 444-0909 Fax (877) 457-2232 Toll Free Fax

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#### Accountants' Report of Material Inadequacies

Our examination of the basic financial statements presented in the preceding section of this report was made in accordance with rule 17a-5(j). In our opinion, no material inadequacies were found to exist in the accounting system and procedures or the system for handling and safeguarding customer's securities during the periods ended December 31, 2002 and December 31, 2001.

*Rickords & Associates, P.C.*  
*Rickords & Associates, P.C.*

Rickords & Associates, P.C.  
February 18, 2003



RICKORDS & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
Nexus Financial, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Nexus Financial, Inc., (the Company) for the year ended December 31, 2002, we considered its internal control structure, including procedure for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated 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 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 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

Nexus Financial, Inc.  
February 18, 2003  
Page 2

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 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, 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 controls 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 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 procedure were adequate at December 31, 2002 to meet the Commission's objectives.

Nexus Financial, Inc.  
February 18, 2003  
Page 3

This report is intended solely for the information and use of the Board of Directors, management, the SEC, National Association of Securities Dealers, Inc. (NASD), 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 purposes.

*Rickords & Associates, P.C.*  
*Rickords & Associates, P.C.*  
Rickords & Associates, P.C.  
February 18, 2003