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**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 01-01-02 AND ENDING 12-31-02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: FINANCIAL LINKS, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

2505 DIAMOND HITCH TRAIL  
(No. and Street)

RALEIGH, NC  
(City) (State)

27615  
(Zip Code)

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

ROBERT BRAUMBAUGH

919-847-0371  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

WINSTON WILLIAMS & CREECH, LLP  
(Name - if individual, state last, first, middle name)

P.O. Box 1366, 102 W. SPRING ST., OXFORD, NC  
(Address) (City) (State) 27565 (Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAR 13 2003**

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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).



CRD # 41392

**FINANCIAL LINKS, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2002 AND 2001**

**FINANCIAL LINKS, INC.**  
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**DECEMBER 31, 2002**

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# Winston, Williams & Creech, LLP

Certified Public Accountants

Members  
American Institute of  
Certified Public Accountants

Members  
North Carolina Association of  
Certified Public Accountants

James P. Winston II, CPA  
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The CPA. Never Underestimate The Value.™

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Financial Links, Inc.  
Raleigh, North Carolina

We have audited the accompanying statements of financial condition of Financial Links, Inc. (a C-Corporation) as of December 31, 2002 and 2001, and the related statements of income, changes in stockholder's equity, changes in subordinated borrowings, and cash flows for the years then ended that you are filing pursuant to rule 17 a-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 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 condition of Financial Links, Inc. at December 31, 2002 and 2001, and the results of their operations and their cash flows for the years 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 basis financial statements taken as a whole. The information contained on Page 12 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 under the Securities 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.

*Winston, Williams & Creech, LLP*  
Winston, Williams & Creech, LLP  
Certified Public Accountants

Oxford, North Carolina  
January 21, 2002

**FINANCIAL STATEMENTS**

**FINANCIAL LINKS, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2002 AND 2001**

|   | <u>2002</u>       | <u>2001</u>      |
|---|-------------------|------------------|
| <b>ASSETS</b>   |                   |                  |
| <b>CURRENT ASSETS</b>   |                   |                  |
| Cash  | \$ 4,997          | \$ 3,006         |
| Accounts Receivable   | 138,672           | 29,288           |
| Prepaid Expenses  | 7,144             | 5,800            |
| Deferred Income Taxes   | 27,000            | -                |
| <b>Total Current Assets</b>   | <u>177,813</u>    | <u>38,094</u>    |
| <b>OTHER ASSETS</b>   |                   |                  |
| Organization Costs  | 5,897             | 5,897            |
| Accumulated Amortization: Organization Costs  | (2,954)           | (2,689)          |
| Deposits  | 25,631            | 25,383           |
| <b>Total Other Assets</b>   | <u>28,574</u>     | <u>28,591</u>    |
| <b>TOTAL ASSETS</b>   | <u>\$ 206,387</u> | <u>\$ 66,685</u> |
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>   |                   |                  |
| <b>CURRENT LIABILITIES</b>  |                   |                  |
| Accounts Payable  | \$ 5,663          | \$ -             |
| <b>Total Current Liabilities</b>  | <u>5,663</u>      | <u>-</u>         |
| <b>Total Liabilities</b>  | <u>5,663</u>      | <u>-</u>         |
| <b>STOCKHOLDER'S EQUITY</b>   |                   |                  |
| Common Stock, par value \$.01, 100,000<br>shares authorized and 40,000 shares<br>issued and outstanding | 400               | 400              |
| Paid-In Capital   | 84,875            | 84,875           |
| Retained Earnings   | 115,449           | (18,590)         |
| <b>Total Stockholder's Equity</b>   | <u>200,724</u>    | <u>66,685</u>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>   | <u>\$ 206,387</u> | <u>\$ 66,685</u> |

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

**FINANCIAL LINKS, INC.**  
**STATEMENT OF INCOME**  
For the Years Ended December 31, 2002 and 2001

|   | <u>2002</u>       | <u>2001</u>     |
|---|-------------------|-----------------|
| <b>REVENUE</b>                              |                   |                 |
| Commissions                                 | \$ 365,947        | \$ 157,031      |
| Total Revenues                              | <u>365,947</u>    | <u>157,031</u>  |
| <b>EXPENSES</b>                             |                   |                 |
| Amortization                                | 265               | 265             |
| Bank service charges                        | 421               | 405             |
| Office expense                              | 8,935             | 2,841           |
| Postage and delivery                        | 4,015             | 626             |
| Commissions                                 | 97,807            | 77,976          |
| Management Fees                             | 114,500           | 38,000          |
| Execution Fees                              | 3,196             | 11,710          |
| Consultants                                 | 1,169             | -               |
| NASD Compliant Fees                         | 2,500             | -               |
| Insurance                                   | 150               | 1,150           |
| Licenses                                    | 13,815            | 5,307           |
| Taxes                                       | 47                | 181             |
| Meetings                                    | -                 | 250             |
| Legal and accounting                        | 10,664            | 10,300          |
| Telephone                                   | 1,394             | 627             |
| Travel                                      | 302               | 350             |
| Total Expenses                              | <u>259,180</u>    | <u>149,988</u>  |
| OPERATING INCOME (LOSS)                     | 106,767           | 7,043           |
| <b>OTHER INCOME (EXPENSE)</b>               |                   |                 |
| Interest income                             | 272               | 841             |
| Total Other Income (Expense)                | <u>272</u>        | <u>841</u>      |
| NET INCOME (LOSS) BEFORE INCOME TAXES       | 107,039           | 7,884           |
| <b>(PROVISION) BENEFIT FOR INCOME TAXES</b> |                   |                 |
| Deferred                                    | 27,000            | 0               |
| NET INCOME (LOSS)                           | <u>\$ 134,039</u> | <u>\$ 7,884</u> |

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

**FINANCIAL LINKS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**For the Years Ended December 31, 2002 and 2001**

|  | Common<br>Shares | Common<br>Amount | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Total<br>Stockholder's<br>Equity |
|--|------------------|------------------|----------------------------------|----------------------|----------------------------------|
| Balance 1-1-01                                 | 40,000           | \$ 400           | \$ 84,875                        | \$ (26,474)          | \$ 58,801                        |
| Net Income (Loss)                              |                  |                  |                                  | 7,884                | 7,884                            |
| Purchase and Retirement of<br>Common Shares    |                  |                  |                                  |                      |                                  |
| Additional Paid-In Capital<br>Balance 12-31-01 | <u>40,000</u>    | <u>400</u>       | <u>84,875</u>                    | <u>(18,590)</u>      | <u>66,685</u>                    |
| Net Income (Loss)                              |                  |                  |                                  | <u>134,039</u>       | <u>134,039</u>                   |
| Balance 12-31-02                               | <u>40,000</u>    | <u>\$ 400</u>    | <u>\$ 84,875</u>                 | <u>\$ 115,449</u>    | <u>\$ 200,724</u>                |

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

**FINANCIAL LINKS, INC.**  
**STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS**  
**For the Years Ended December 31, 2002 and 2001**

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NONE

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

**FINANCIAL LINKS, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2002 and 2001

|  | 2002       | 2001     |
|--|------------|----------|
| Cash Flows from Operating Activities:                      |            |          |
| Net Income (Loss)  | \$ 134,039 | \$ 7,884 |
| Adjustment to Reconcile Net Income<br>to Net Cash Provided |            |          |
| By Operating Activities:                                   |            |          |
| Depreciation and Amortization                              | 265        | 265      |
| (Decrease) Increase in Deferred Income Taxes               | (27,000)   | -        |
| (Increase) Decrease in:                                    |            |          |
| Accounts Receivable  | (109,384)  | (15,418) |
| Prepaid Expenses   | (1,344)    | (5,800)  |
| Deposit  | (248)      | 1,837    |
| Increase (Decrease) in:                                    |            |          |
| Accounts Payable   | 5,663      | (1,263)  |
|  | 1,991      | (12,495) |
| Net Cash Provided (Used) By<br>Operating Activities        |            |          |
|  | 1,991      | (12,495) |
| Net Increase (Decrease) in Cash                            |            |          |
| Cash - Beginning of Year                                   | 3,006      | 15,501   |
| Cash - End of Year   | \$ 4,997   | \$ 3,006 |

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FINANCIAL LINKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

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 receives commissions for security and insurance transactions and provides capital formation services on a fee-for-service basis to entrepreneurial organizations in the golf course and golf related industry. The Company is a North Carolina corporation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

**NOTE B – NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform net Capital Rule (SEC rule 15c3-10, 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 (and the rule of the “applicable” exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2002, the Company had net capital of \$163,637. The Company net capital ratio was .0346.

**NOTE C – INCOME TAXES**

The Company is a wholly owned subsidiary of Commonwealth Financial, LLC and files a consolidated income tax return with Commonwealth Financial, LLC. For the calendar year 2002, the Company had an operating loss carryforward that offset the current year’s income. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income purposes. The deferred tax asset represents the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recorded or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income. Income tax expense or benefit is the income tax payable or refundable for the period plus or minus the change during the period in deferred tax assets.

**NOTE D – RELATED PARTY TRANSACTIONS**

The Company paid management fees to the following companies under common ownership:

|                             |                   |
|-----------------------------|-------------------|
| Commonwealth Financial, LLC | <u>\$ 114,500</u> |
|-----------------------------|-------------------|

**FINANCIAL LINKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

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**NOTE E – DEFERRED INCOME TAXES**

At December 31, 2002 the Company's deferred tax asset is comprised of the following:

|   | Federal   | North Carolina | Total     |
|---|-----------|----------------|-----------|
| Current deferred tax<br>Asset recognized for<br>Income tax<br>Carryforwards | \$ 23,000 | \$ 4,000       | \$ 27,000 |

Deferred income tax benefit for the year ending December 31, 2002 represents the increase in deferred tax asset during the period.

**SUPPLEMENTARY SCHEDULES**

**FINANCIAL LINKS, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**As of December 31, 2002**

|  |          |            |
|--|----------|------------|
| Net Capital  |          |            |
| Total Stockholders' Equity   |          | \$ 200,724 |
| Deductions:  |          |            |
| Nonallowable Assets:   |          |            |
| Prepaid Expenses   | (7,144)  |            |
| Organization Costs   | (2,943)  |            |
| Deferred Income Taxes  | (27,000) |            |
|  | (37,087) |            |
| Net Capital  |          | 163,637    |
| Aggregate Indebtedness:  |          |            |
| Accounts Payable   | 5,663    |            |
| Total Aggregate Indebtedness   | 5,663    |            |
| Computation of Basic Net Capital Requirement   |          |            |
| Minimum net capital required   |          | 5,000      |
| Excess Net Capital   |          | 158,637    |
| Ratio: Aggregate Indebtedness to Net Capital   |          | 0.0346     |
| Reconciliation with Company's Computation (included<br>In Part II of Form X-17A-5 as of December 31, 2002) |          |            |
| Net Capital as Reported in Company's Part II<br>(Unaudited) FOCUS Report                                   |          | 163,637    |
| Additions  |          |            |
| Deductions   |          | (0)        |
| Net Capital Per Above  |          | \$ 163,637 |

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## REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

Board of Directors  
Financial Links, Inc.  
Raleigh, North Carolina

In planning and performing our audit of the financial statements and supplemental schedules of Financial Links, 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 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 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 examining, 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 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 and 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 the 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 procedures were adequate at December 31, 2002 to meet the SEC's objectives.

This report is intended solely for use of the Board of Directors, management, the SEC, 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.

Winston, Williams & Creech, LLP  
Winston, Williams & Creech, LLP  
Certified Public Accountants

Oxford North Carolina  
January 21, 2002