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SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549



SEC FILE NUMBER  
8 - 28028

**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 APRIL 1, 2002 AND ENDING MARCH 31, 2003

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY

STERLING SECURITIES, INC.

FIRM ID. NO.

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

1155 NORTHERN BOULEVARD, SUITE 200

MANHASSET

NEW YORK

11030

(City)

(State)

(Zip Code)

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

ANN SOJA, President

(516) 627 - 5223

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

**LERNER & SIPKIN, CPAs, LLP**

132 Nassau Street, Suite 1023

New York

NY

10038

Certified Public Accountant

**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).

SEC 1410 (3-91)

**PROCESSED**

JUN 02 2003

THOMSON  
FINANCIAL

## OATH OR AFFIRMATION

I, **ANN SOJA**, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of **STERLING SECURITIES, INC.**, as of **MARCH 31, 2003**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, member, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

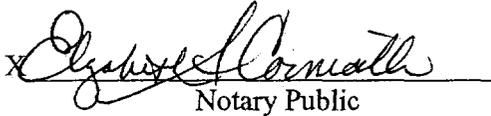
NONE

X

  
Signature

Title

Elizabeth A. Cornicelli  
Notary Public, State of New York  
No. 01CO6084288  
Qualified in Queens County  
My Commission Expires 3/10/2007

X   
Notary Public

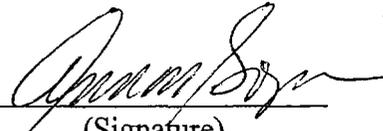
This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control requirements under rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the reserve requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report.

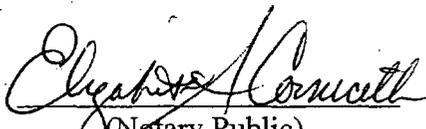
\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

I, **ANN SOJA**, swear that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedule(s) pertaining to the Firm of **STERLING SECURITIES, INC.**, as of **MARCH 31, 2003**, are true and correct. I further swear that neither the Company nor any partner, proprietor, principal officer, director or member has any proprietary interest in any account classified solely as that of customer, except as follows:

No Exceptions  
-----

  
(Signature)

\_\_\_\_\_  
(Title)

  
(Notary Public)

**Elizabeth A. Cornicelli**  
Notary Public, State of New York  
No. 01CO6084288  
Qualified in Queens County  
My Commission Expires 3/10/2007

**STERLING SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**

**MARCH 31, 2003**

**STERLING SECURITIES, INC.**  
STATEMENT OF FINANCIAL CONDITION  
MARCH 31, 2003

**ASSETS**

Cash and cash equivalents	\$ 22,932
Related party receivable (Note 3)	3,000
Other assets	<u>11</u>
Total assets	<u>\$ 25,943</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities:**

Accounts payable and accrued expenses	<u>\$ 4,800</u>
Total liabilities	<u>4,800</u>

**Commitments and Contingencies (Note 3)**

**Stockholders' equity (Note 4)**

Common stock, no par value; \$250 stated value	
Authorized - 200 shares	
Issued and outstanding - 20 shares	\$ 5,000
Additional paid-in capital	1,000
Retained earnings	<u>15,143</u>
Total stockholders' equity	<u>21,143</u>
Total liabilities and stockholders' equity	<u>\$ 25,943</u>

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

**STERLING SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2003**

**Note 1- Nature of Business**

Sterling Securities, Inc. (The "Company") is a New York State corporation formed for the purpose of conducting business as a broker/dealer in Direct Participation Programs in real estate syndications that are organized by First Sterling Financial, Inc. ("FSF"), an affiliated company, which is the General Partner of the offerings.

**Note 2- Summary of Significant Accounting Policies**

*a) Revenue Recognition*

Commission income (and the recognition of related income and expenses) is recorded at the time the commissions are realized from the real estate syndication program.

*b) Income Taxes*

The Company has elected to be treated as an "S" Corporation under the provisions of the Internal Revenue Code and New York State tax regulations. Under the provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders' are liable for individual income taxes on their respective shares of the Company's taxable income.

*c) Cash and Cash Equivalents*

For the purpose of the statement of cash flows, the Company considers money market instruments to be cash and cash equivalents.

*d) Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses.

**Note 3- Related Party Transactions**

Pursuant to an agreement, effective January 1, 1998, with FSF, office facilities, accounting services, and office staff are provided to the Company. For the year ended March 31, 2003 there was no charge for such administrative expenses.

In addition, the Company was paid \$12,000 in consulting fees by FSF (of which \$3,000 is a receivable at March 31, 2003), and \$1,988 of commissions was earned by transactions relating to an affiliate's 401K pension plan.

**STERLING SECURITIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2003

**Note 4- Net Capital Requirement**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 1500%. At March 31, 2003, the Company's net capital of \$18,132 was \$13,132 in excess of the required net capital of \$5,000. The Company's net capital ratio was 26.47%.

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A copy of the Company's Statement of Financial Condition as of March 31, 2003, pursuant to SEC Rule 17a-5 is available for examination at the Company's office and at the regional office of the Securities and Exchange Commission and the office of the National Association of Securities Dealers, Inc.



**LERNER & SIPKIN**  
CERTIFIED PUBLIC ACCOUNTANTS LLP

132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074  
E-mail: LS@lerner-sipkin.com

**INDEPENDENT AUDITORS' REPORT**

To the Officers and Directors of  
Sterling Securities, Inc.  
1155 Northern Boulevard - Suite 200  
Manhasset, NY 11030

Gentlemen:

We have audited the accompanying statement of financial condition of Sterling Securities, Inc. as of March 31, 2003. This financial statement is 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of Sterling Securities, Inc. as of March 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

*Lerner & Sipkin CPAs LLP*  
Lerner & Sipkin, CPAs, LLP  
Certified Public Accountants (NY)

New York, NY  
May 6, 2003