

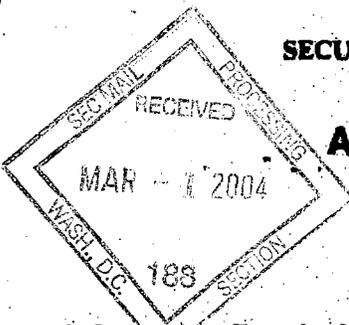


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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8. 37677

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 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Waypoint Brokerage Services

OFFICIAL USE ONLY
FIRM ID. NO.

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

2450 Eastern Blvd

York PA 17402
(City) (State) (Zip Code)

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

Jessica M Shiflet 717-755-1066

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG

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

30 Nth 3rd St PO Box 1190 Suite 200 Harrisburg PA 17108
(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 25 2004
THOMSON FINANCIAL

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

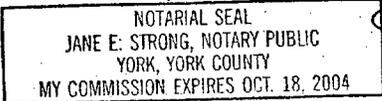
I, Jessica M Shiflet, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Waypoint Brokerage Services, as of February 25, 2004, are true and correct. I further swear (or affirm) that neither the company 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:

Jessica M Shiflet
Signature

FIN/OP

Title

Jane E Strong
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).



KPMG LLP
Suite 200
30 North Third Street
PO Box 1190
Harrisburg, PA 17108-1190

Independent Auditors' Report

To the Board of Directors
Waypoint Brokerage Services, Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of Waypoint Brokerage Services, Inc. (the Company), for the year ended December 31, 2003, we considered its internal control, including control activities 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 internal control.

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 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 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 internal control 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 controls 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 internal control 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 internal control 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.

Our consideration of internal control would not necessarily disclose all matters in internal control 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 components 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 internal control, including control activities 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 procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and 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 is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 13, 2004



WAYPOINT BROKERAGE SERVICES, INC.

Financial Statements and Supplemental Schedules

December 31, 2003

(Together With Independent Auditors' Report Thereon)

WAYPOINT BROKERAGE SERVICES, INC.

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KPMG LLP
Suite 200
30 North Third Street
PO Box 1190
Harrisburg, PA 17108-1190

Independent Auditors' Report

The Board of Directors
Waypoint Brokerage Services, Inc.:

We have audited the accompanying statement of financial condition of Waypoint Brokerage Services, Inc. (the Company) (a wholly owned subsidiary of Waypoint Financial Corp.) as of December 31, 2003, and the related statements of operations, stockholder's equity, and cash flows for the year 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 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 Waypoint Brokerage Services, Inc. at December 31, 2003, 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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.

KPMG LLP

February 13, 2004



WAYPOINT BROKERAGE SERVICES, INC.

Statement of Financial Condition

December 31, 2003

Assets	2003
Cash and cash equivalents	\$ 599,528
Investment securities	1,726
Accounts receivable	41,218
Prepaid expenses and other assets	56,411
Deferred tax asset, net	3,836
Leasehold improvements, furniture and equipment net of accumulated amortization and depreciation of \$125,258	<u>88,731</u>
Total assets	<u>\$ 791,450</u>
 Liabilities and Stockholder's Equity	
Liabilities:	
Accrued compensation	64,656
Accrued taxes payable to Waypoint Financial Corporation	102,352
Payable to Waypoint Bank for ESOP participation	57,159
Other accrued expenses and liabilities	<u>42,891</u>
Total liabilities	<u>267,058</u>
 Stockholder's equity:	
Common stock, \$1 par value; 500,000 authorized shares; 1,000 issued and outstanding shares	1,000
Additional paid-in capital	528,169
Recognition and retention plan	(40,124)
Retained earnings	<u>35,347</u>
Total stockholder's equity	<u>524,392</u>
Total liabilities and stockholder's equity	<u>\$ 791,450</u>

See accompanying notes to financial statements.

WAYPOINT BROKERAGE SERVICES, INC.

Statement of Operations
For the Year Ended December 31, 2003

	<u>2003</u>
Revenues:	
Net commissions	\$ 1,324,794
Interest income	5,627
Other income	950
	<u>1,331,371</u>
Expenses:	
Employee compensation and benefits	752,241
Commissions	295,952
Travel and entertainment	41,538
Occupancy and equipment	126,092
Dues and subscriptions	32,535
Advertising	28,222
Professional fees	10,814
Fees paid to Waypoint Bank	23,400
Communications	39,176
Quote charges	98,698
Supplies	14,164
Contributions	51,000
Other operating expenses	24,024
	<u>1,537,856</u>
Loss before income taxes	(206,485)
Benefit for income taxes	(63,688)
Net loss	<u>\$ (142,797)</u>

See accompanying notes to financial statements.

WAYPOINT BROKERAGE SERVICES, INC.

Statement of Stockholder's Equity

Year ended December 31, 2003

	Common Stock	Additional Paid-in Capital	Recognition and Retention Plan (RRP)	Retained Earnings	Total
Balance, January 1, 2003	\$ 1,000	508,056	(60,186)	209,144	658,014
Net loss				(142,797)	(142,797)
Cash dividend declared to Parent Company				(31,000)	(31,000)
ESOP expense in excess of original cost basis of shares		20,113			20,113
Earned portion of Recognition and Retention Plan			20,062		20,062
Balance, December 31, 2003	\$ 1,000	528,169	(40,124)	35,347	524,392

See accompanying notes to financial statements.

WAYPOINT BROKERAGE SERVICES, INC.

Statement of Cash Flows

For the Year Ended December 31, 2003

	<u>2003</u>
Operating activities:	
Net loss	\$ (142,797)
Adjustment to reconcile net income to cash used in operating activities:	
Recognition and retention plan	20,062
ESOP expense in excess of original cost basis of shares	20,113
Depreciation	29,760
Deferred tax benefit	(7,100)
Decrease in accounts receivable	31,732
Increase in prepaid expenses and other assets	(21,593)
Increase in accrued expenses and other liabilities	44,456
Net cash used in operating activities	<u>(25,367)</u>
Investing activities:	
Purchase of furniture and equipment	(6,709)
Proceeds from disposals of leasehold improvements, furniture and equipment	16,761
Net cash provided by investing activities	<u>10,052</u>
Financing activities:	
Cash dividend paid to Parent Company	(31,000)
Net cash used in financing activities	<u>(31,000)</u>
Decrease in cash and cash equivalents	(46,315)
Cash and cash equivalents on January 1, 2003	645,843
Cash and cash equivalents on December 31, 2003	<u>\$ 599,528</u>

See accompanying notes to financial statements.

WAYPOINT BROKERAGE SERVICES, INC.

Notes to Financial Statements

December 31, 2003

(1) Description of Business

Waypoint Brokerage Services, Inc. (the Company), a wholly owned subsidiary of Waypoint Financial Corp. (the Parent Company), was incorporated for the purpose of providing discount brokerage services to a diversified group of retail customers. Business is conducted through two offices located in south central Pennsylvania. The Company is a fully disclosed introducing broker. All security transactions are cleared through an independent clearing broker.

(2) Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

(b) Investment Securities

Investment securities are accounted for at fair value, with changes in fair value reflected as a component of net income or loss. Investment securities consist of a large number of low value and worthless securities. 100% of the carrying amount of investment securities is excluded from regulatory net capital as a result of their immateriality.

(c) Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the asset's useful life of five to seven years.

(d) Income Recognition

Net commissions and fees and related expenses from securities transactions are recorded when such transactions are settled. The effect on the Company's financial statements of using settlement date accounting is not materially different than trade date accounting.

(e) Advertising Costs

Advertising costs are expensed when incurred. Advertising costs for the year ended December 31, 2003 were \$28,222.

(f) Employee Benefit Plans

The Company's employees are covered by the Parent Company's contributory defined contribution retirement plan. The Company provides a matching contribution of 50 percent of employee contributions to a maximum of 8 percent of employee compensation (a maximum matching contribution of 4 percent). The matching expense incurred for the year ending December 31, 2003 was \$27,633.

In addition, the Company's employees participate in Waypoint Bank's (the Bank) (another wholly owned subsidiary of the Parent Company) ESOP Plan. Expense of \$38,646 was incurred during the current year by the Company for participation in the plan. The Bank allocates ESOP expense to the

WAYPOINT BROKERAGE SERVICES, INC.

Notes to Financial Statements

December 31, 2003

Company based on the Company's relative percentage of total compensation. The Company reimburses the Bank for that portion of ESOP expense relating to the original cost of the ESOP shares. The portion of ESOP expense relating to the fair value of allocated ESOP shares in excess of original cost is credited to additional paid-in-capital.

(g) *Stock-Based Compensation*

The Company accounts for stock-based employee compensation arrangements under Accounting Principles Board Opinion No. 25 (APB 25) and related interpretations. The Company's participation in the Recognition and Retention Plan is accounted for using fixed plan accounting.

(h) *Income Taxes*

The results of the operations of the Company are included in consolidated federal income tax returns filed by the Parent Company. Therefore, the income tax provision represents an allocation from the Parent Company arising from its consolidated provision for federal income taxes as a result of the inclusion of the Company's taxable income using the asset and liability method for reporting tax expense.

(i) *Risks and Uncertainties*

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(j) *Statement of Cash Flow Disclosure*

No cash was paid for interest or taxes for the year ended December 31, 2003.

(k) *Reclassifications*

Certain reclassifications were made to the 2002 financial statements to conform with the presentation in the 2003 financial statements. These reclassifications had no impact on net income or loss or total stockholder's equity.

(3) *Net Capital Requirement*

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital, as defined, which shall be the greater of \$50,000 or 6 2/3% of aggregate indebtedness, as defined. At December 31, 2003, the Company had net capital of \$347,671.

(4) *Related Party Transactions*

The Company maintains an account at the Bank. Interest income of \$699 for the year ended December 31, 2003 was earned at normal market rates on this account. The balance in the account was \$89,700 at December 31, 2003.

WAYPOINT BROKERAGE SERVICES, INC.

Notes to Financial Statements

December 31, 2003

Additionally, the Bank provided accounting and management services to the Company and charged fees of \$23,400 for the year ended December 31, 2003. A payable for various reimbursable expenses of \$12,113 existed at December 31, 2003.

The Company is leasing furniture and equipment from the Parent Company on a monthly lease. Net rental expense was \$827 for the year ended December 31, 2003.

The Company leased office space for its facilities from the Bank under an operating lease commencing January 1, 2003 for a term of five years. During the year ended December 31, 2003, rent expense paid to the Bank was \$85,200. Future rental payments for each of the years ending 2004 through 2007 will be \$85,200.

The Company pays dividends to the Parent. Dividends declared and paid in the current year amounted to \$31,000.

The Company reimburses the Bank for its shares of the total ESOP expense. The Company owed the Bank \$45,089 as of December 31, 2003 for amounts allocated in both 2002 and 2003.

The Company received \$83,550 from the Parent during the year for reimbursement of Federal income taxes. The Company owed the Parent \$102,352 at December 31, 2003 for Federal income taxes.

(5) Income Taxes

The provision for income taxes for the year ended December 31, 2003 consists of the following:

Current:	<u>2003</u>
Federal	\$ (56,588)
State	<u>—</u>
	(56,588)
Deferred	<u>(7,100)</u>
Total provision for income taxes	<u>\$ (63,688)</u>

The effective tax rate differs from the Federal statutory rate primarily due to ESOP compensation expense.

Deferred tax assets are a result of deferred compensation and state NOL's and amounted to \$36,295 at December 31, 2003. Deferred tax liabilities are primarily a result of depreciation and prepaid expenses and amounted to \$32,459 at December 31, 2003. The Company has determined that a valuation reserve for the deferred tax asset is not required since it is more likely than not that the deferred tax asset can be principally realized through carryback to taxable income in prior years and future reversals of existing taxable temporary differences.

WAYPOINT BROKERAGE SERVICES, INC.

Notes to Financial Statements

December 31, 2003

(6) Parent Company Stock Award Plan

The Parent Company has a stock award plan, the Recognition and Retention Plan (RRP), which provides for the issuance of restricted Parent Company stock. During 2001, the Parent Company issued 7,000 shares of restricted Parent Company stock from the RRP to the employee group of the Company, which vest 20 percent per year beginning on December 20, 2001. Issuance of restricted Parent Company stock from the RRP was recorded as additional paid-in capital and unearned compensation in the amount of \$100,310. The unearned compensation is shown as a reduction of stockholder's equity in the balance sheet and is recognized as compensation expense over the vesting period at fair value at the date of grant. Compensation expense of \$20,062 was recorded for the year ended December 31, 2003 in connection with the RRP.

(7) Litigation

In the normal course of business, the Company may be a party to various claims and legal proceedings. However, as of December 31, 2003, no claims or legal proceedings were placed against the Company.

WAYPOINT BROKERAGE SERVICES, INC.

Schedule I - Computation of Net Capital Under Rule 15c3-1 of the
Securities and Exchange Commission
As of December 31, 2003

Net capital:		
Total stockholder's equity qualified for net capital	\$	524,392
Deductions and/or charges-		
Nonallowable assets:		
Certain accounts receivable	\$	29,853
Prepaid expenses and other assets		56,411
Leasehold improvements, furniture and equipment		88,731
		<u>174,995</u>
Total deductions and/or charges		<u>174,995</u>
Net capital before haircuts on securities positions		349,397
Haircuts on securities		<u>1,726</u>
Net capital	\$	<u><u>347,671</u></u>
Aggregate indebtedness:		
Items included in statement of financial condition-		
Accrued expenses and other liabilities		<u>267,058</u>
Total aggregated indebtedness	\$	<u><u>267,058</u></u>
Computation of basic net capital requirement:		
Minimum net capital required-		
Greater of 6 2/3 percent of total aggregated indebtedness or \$50,000	\$	<u>50,000</u>
Ratio: Aggregate indebtedness to net capital		<u><u>0.77</u></u>

The above computation does not differ materially from the computation of net capital under rule 15c3-1 as of December 31, 2003, filed by Waypoint Brokerage Services, Inc. with the National Association of Securities Dealers.

WAYPOINT BROKERAGE SERVICES, INC.

Schedule II - Computation for Determination of Reserve Requirements
and Information for Possession of Control Requirements

As of December 31, 2003

The Company is not required to present the schedules "Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3" and "Information for Possession of Control Requirements Pursuant to Rule 15c3-3" as it is exempt under Section (k)(2)(ii) of the rule. In the opinion of management, the Company has complied with the exemptive provisions under 15c3-3 for the year ended December 31, 2003.