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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



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

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SEC FILE NUMBER  
8-66046

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 2/19/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Advanced Financial Solutions, LLC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

7220 Trade Street, Suite 119  
(No. and Street)

San Diego, California 92121

(City)

(State)

(Zip Code)

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

Connie Knapp

(858) 530-4420

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

PKF, Certified Public Accountants

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

2020 Camino del Rio North, Suite 500, San Diego, CA 92108

(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 23 2004

FOR OFFICIAL USE ONLY  
HILSON FINANCIAL

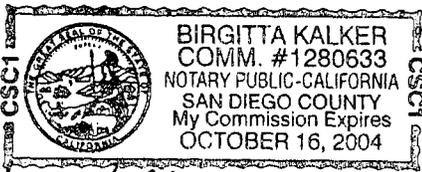
\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

KJ 3/22

OATH OR AFFIRMATION

I, Amy Beattie, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Advanced Financial Solutions, LLC, as of December 31, 2003, 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:

None



*Birgitta Kalker*  
Notary Public

*Amy Beattie*  
Signature  
*C.O.O.*  
Title

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation of 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).

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ADVANCED FINANCIAL SOLUTIONS, LLC  
ANNUAL FILING IN ACCORDANCE  
WITH RULE 17a-5

FOR THE PERIOD FEBRUARY 19, 2003 (INCEPTION)  
TO DECEMBER 31, 2003

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

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**PKF**

ADVANCED FINANCIAL SOLUTIONS, LLC

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Certified Public Accountants  
A Professional Corporation

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## INDEPENDENT AUDITORS' REPORT

Members of  
Advanced Financial Solutions, LLC  
San Diego, CA

We have audited the accompanying statement of financial condition of Advanced Financial Solutions, LLC (the "Company"), (a California limited liability corporation) as of December 31, 2003, and the related statements of operations, members' capital, changes in liabilities subordinated to the claims of general creditors and cash flows for the period February 19, 2003 (inception) to December 31, 2003. 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 Advanced Financial Solutions, LLC as of December 31, 2003, and the results of its operations and its cash flows for the period February 19, 2003 (inception) to December 31, 2003, 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 the schedules on pages 9 through 11 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 Commission. 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.

San Diego, California  
February 4, 2004

PKF  
Certified Public Accountants  
A Professional Corporation

ADVANCED FINANCIAL SOLUTIONS, LLC  
STATEMENT OF FINANCIAL CONDITION  
December 31, 2003

ASSETS

Cash	\$ 130,381
Prepaid expenses	<u>135</u>
Total current assets	130,516
Deposits	<u>6,300</u>
Total other assets	
Total assets	<u>\$ 136,816</u>

LIABILITIES AND MEMBERS' CAPITAL (DEFICIT)

Current liabilities:

Accounts payable	<u>\$ 7,214</u>
Total current liabilities	<u>7,214</u>
Liabilities subordinated to the claims of general creditors	<u>150,000</u>
Total liabilities	<u>157,214</u>

Commitments and contingencies

MEMBERS' CAPITAL

Members' capital	26,000
Accumulated deficit	<u>(46,398)</u>
Total members' deficit	<u>(20,398)</u>
Total liabilities and members' deficit	<u>\$ 136,816</u>

The accompanying notes are an integral part of the financial statements

ADVANCED FINANCIAL SOLUTIONS, LLC  
STATEMENT OF OPERATIONS  
For the period February 19, 2003 (inception) to December 31, 2003

Revenue:

Fee revenue \$           -

Total revenue           -

Costs and expenses:

General and administrative       45,598

Total costs and expenses       45,598

Loss before provision for income taxes (45,598)

Provision for income taxes           800

Net loss       \$ (46,398)

The accompanying notes are an integral part of the financial statements

ADVANCED FINANCIAL SOLUTIONS, LLC  
 STATEMENT OF CHANGES IN MEMBERS' CAPITAL  
 For the period February 19, 2003 (inception) to December 31, 2003

	Members' capital	Accumulated deficit	Total
Balance at October 1, 2003	\$ -	\$ -	\$ -
Contributions	26,000	-	26,000
Net loss	-	(46,398)	(46,398)
Balance at December 31, 2003	\$ 26,000	\$ (46,398)	\$ (20,398)

The accompanying notes are an integral part of the financial statements

ADVANCED FINANCIAL SOLUTIONS, LLC  
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO THE CLAIMS OF GENERAL CREDITORS  
For the period February 19, 2003 (inception) to December 31, 2003

Beginning balance	\$	-
Additions		<u>150,000</u>
Ending balance	\$	<u>150,000</u>

The accompanying notes are an integral part of the financial statements

ADVANCED FINANCIAL SOLUTIONS, LLC  
STATEMENT OF CASH FLOWS  
For the period February 19, 2003 (inception) to December 31, 2003

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss	\$ (46,398)
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in certain assets and liabilities:	
Prepaid assets	(135)
Deposits	(6,300)
Accounts payable	<u>7,214</u>
Net cash used in operating activities	<u>(45,619)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Subordinated loans	150,000
Member contributions	<u>26,000</u>
Net cash provided by financing activities	<u>176,000</u>
Net increase in cash	130,381
Cash at the beginning of the period	<u>—</u>
Cash at the end of the period	<u><u>\$ 130,381</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Taxes	<u><u>\$ 800</u></u>

The accompanying notes are an integral part of the financial statements

ADVANCED FINANCIAL SOLUTIONS, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the period February 19, 2003 (inception) to December 31, 2003

NOTE 1 - ORGANIZATION

Advanced Financial Solutions, LLC (the "Company") was incorporated in California in February 2003. The Company began doing business on October 10, 2003 as a broker-dealer registered with the Securities and Exchange Commission (SEC). As of December 31, 2003 the Company has not begun revenue generating activity. The Company operates as a fully disclosed broker-dealer pursuant to the exemptive provisions of SEC Rule 15c3-3 subparagraph (k)(2)(ii). To maintain this exemption, the Company does not hold customer funds and/or securities.

NOTE 2 - ACCOUNTING POLICIES

Estimates

The financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Upon the commencement of operations, security transactions and the related commission revenue will be recorded on a trade date basis.

Concentration of Credit Risk

The Company maintains cash balances with a financial institution. Management performs periodic evaluations of the relative credit standing of the institution. The Company has not sustained any losses from this institution.

NOTE 3 - DEPOSITS

Deposits consist primarily of deposits with the National Association of Securities Dealers (NASD).

ADVANCED FINANCIAL SOLUTIONS, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the period February 19, 2003 (inception) to December 31, 2003

NOTE 4 - LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

Subordinated liabilities at December 31, 2003 are as follows:

Subordinated notes payable to members bearing interest at 4.25 % per annum, due October 2006.	\$ <u>150,000</u>
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The subordinated borrowings are covered by agreements approved by the National Association of Securities Dealers. The subordinated liability is added to shareholders' equity and excluded from aggregate indebtedness in computing net capital under Rule 15c3-1 of the Securities Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

NOTE 5 - INCOME TAXES

Upon its incorporation the Company elected to be taxed as a Limited Liability Corporation (LLC). Accordingly, revenues and expenses are reported on the members' individual income tax returns, and no provision for federal income taxes is included in the Company's financial statements. The \$800 income tax provision represents the California minimum franchise tax paid by the Company in 2003.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company is involved in certain related party transactions with an affiliate, CUSO Financial Services, LP ("CUSO"). For the period February 19, 2003 to December 31, 2003 the Company was charged \$179 by CUSO for administrative expenses. In addition, the Company leases its office space from CUSO. For the period February 19, 2003 to December 31, 2003 the Company paid CUSO \$-0- for office rent and related expenses.

NOTE 7 - NET CAPITAL REQUIREMENTS

Under SEC Rule 15c3-1(a)(2), the Company is required to maintain a minimum net capital of \$5,000, and shall not permit its aggregate indebtedness to all other persons to exceed 800% of its net capital. As of December 31, 2003 the Company had net capital of \$123,167. This was \$118,167 in excess of its required net capital for 2003. The Company's net capital ratio was 6% as of December 31, 2003. (See supplementary information for calculations).

## SUPPLEMENTARY INFORMATION

ADVANCED FINANCIAL SOLUTIONS, LLC  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 December 31, 2003

Members' capital	\$	(20,398)
Add: liabilities subordinated to the claims of general creditors		150,000
Less non-allowable assets:		
Prepaid expenses		135
Deposit		<u>6,300</u>
		<u>6,435</u>
Net capital	\$	<u><u>123,167</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS

Minimum net capital required (6-2/3% of aggregate indebtedness or \$5,000, whichever is greater)	\$	<u>5,000</u>
Net capital in excess of amount required	\$	<u>118,167</u>
Aggregate indebtedness	\$	<u>7,214</u>
Ratio of aggregate indebtedness to net capital		<u><u>6%</u></u>

Note: There are no differences between the net capital reported above and the net capital reported on Form FOCUS X-17A-5 Part IIA as of December 31, 2003.

ADVANCED FINANCIAL SOLUTIONS, LLC  
COMPUTATION OF RESERVE REQUIREMENTS  
PURSUANT TO RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
For the period February 19, 2003 (inception) to December 31, 2003

The Company operates as a fully disclosed broker-dealer pursuant to the exemptive provisions of the SEC Rule 15c3-3 subparagraph (k)(2)(ii). To maintain this exemption, the Company does not hold customer funds and/or securities. If any customer funds and/or securities are received, they are to be promptly forwarded.

ADVANCED FINANCIAL SOLUTIONS, LLC  
INFORMATION RELATING TO POSSESSION  
OR CONTROL REQUIREMENTS UNDER RULE 15c3-3  
OF THE SECURITIES AND EXCHANGE COMMISSION

The Company does not hold customer securities, and consequently qualifies for exemption under the provisions of the Rule.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL  
REQUIRED BY RULE 17A-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

Members of  
Advanced Financial Solutions, LLC  
San Diego, CA

In planning and performing our audit of the financial statements of Advanced Financial Solutions, LLC as of December 31, 2003 and for the period February 19, 2003 (inception) to December 31, 2003, we considered its internal controls, 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 controls.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal controls 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 policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of internal controls 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal controls or the practices and procedures referred to above, errors 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 the internal controls would not necessarily disclose all matters in the internal controls 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 elements do not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the accounting system and control procedures that we consider to be a material weakness as defined above.

The size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those internal control practices and procedures that depend on the segregation of duties. Because this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

The foregoing condition was considered in determining the nature, timing and extent of audit procedures to be performed in our audit of the financial statements of the Company for the period February 19, 2003 (inception) to December 31, 2003, and this report does not affect our report thereon dated February 4, 2004.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

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

San Diego, California  
February 4, 2004

The logo consists of the letters 'PKF' written in a stylized, handwritten font. The 'P' is the largest and most prominent, with a loop at the top. The 'K' and 'F' are smaller and positioned to the right of the 'P'.

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