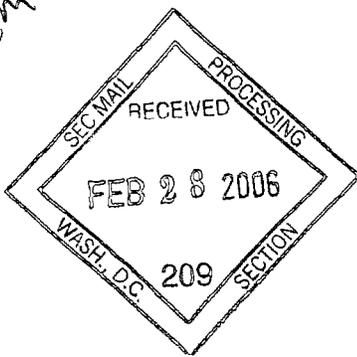


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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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

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8- 53730

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 01/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Cascade Financial Management Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1512 Larimer Street Suite 250  
(No. and Street)  
Denver CO 80202  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
John Van Sant 303-292-1121  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Wade J. Bowden & Company, CPAs, P.C.  
(Name - if individual, state last, first, middle name)  
3150 Highway 278, Suite 105, Covington, Georgia 30014  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAY 23 2006**

**THOMSON  
FINANCIAL**

*[Handwritten signature]*

**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 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

*BB 5/23*

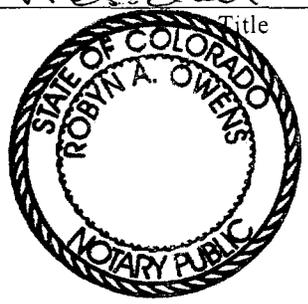
OATH OR AFFIRMATION

I, David Turner, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cascade Financial Management Inc., as of February 27th, 2006, 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]  
Signature  
President  
Title

Robyn A. Owens  
Notary Public Exp 2/10/07



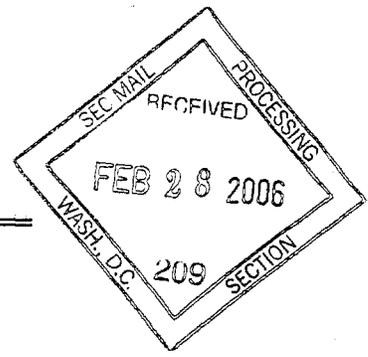
This report \*\* contains (check all applicable boxes):

- (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 Proprietors' 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).

**CASCADE FINANCIAL MANAGEMENT, INC.**

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR  
ENDED DECEMBER 31, 2005 AND INDEPENDENT  
AUDITORS' REPORT

**Wade J Bowden & Company, P.C.**

**CASCADE FINANCIAL MANAGEMENT, INC.**  
**AND ITS WHOLLY-OWNED SUBSIDIARY,**  
**CFMI INSURANCE AGENCY, LLC**

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**INDEPENDENT AUDITORS' REPORT**

CASCADE FINANCIAL MANAGEMENT, INC. and its  
Wholly-Owned Subsidiary, CFMI Insurance Agency, LLC

We have audited the accompanying consolidated statement of financial condition of Cascade Financial Management, Inc. and its wholly-owned subsidiary, CFMI Insurance Agency, LLC, as of December 31, 2005, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended. 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 U.S. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cascade Financial Management, Inc. and its subsidiary as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with U.S. 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 information contained in the supplementary schedules 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.

*Wade J. Bowden & Company*

Atlanta, Georgia  
February 22, 2006

# CASCADE FINANCIAL MANAGEMENT, INC.

## AND ITS WHOLLY-OWNED SUBSIDIARY

### CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 2005

#### ASSETS

##### CURRENT ASSETS:

Cash (Note 1)	\$	77,054
Cash deposits with clearing organizations		35,000
Receivable from broker-dealer and clearing organization (Note 2)		72,821
Prepays:		
Insurance		3,077
Other		30,193

Total current assets 218,145

##### FURNITURE AND EQUIPMENT (Note 1)

Less accumulated depreciation		(31,601)
Furniture and equipment - net		<span style="border: 1px solid black; padding: 2px;">39,857</span>

##### OTHER ASSETS:

Security deposits		14,423
Organizational costs, net of accumulated amortization of \$14,878		4,116
Total other assets		<span style="border: 1px solid black; padding: 2px;">18,539</span>

TOTAL \$ 276,541

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### CURRENT LIABILITY -

Accounts payable and accrued liabilities	\$	<span style="border: 1px solid black; padding: 2px;">125,716</span>
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##### LONG-TERM LIABILITY -

Deferred income taxes payable (Note 1)		<span style="border: 1px solid black; padding: 2px;">1,500</span>
--	--	---

##### STOCKHOLDERS' EQUITY:

Common stock, no par value; 50,000 shares authorized, 175 issued and 155 shares outstanding		183,425
Deficit		(34,100)

Total stockholders' equity 149,325

TOTAL \$ 276,541

See Independent Auditors' Report and  
Notes to Consolidated Financial Statements.

# **CASCADE FINANCIAL MANAGEMENT, INC.**

## **AND ITS WHOLLY-OWNED SUBSIDIARY**

### **CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2005**

**REVENUES:**

Commissions (Note 5)	\$	770,978
Investment advisory fees		847,672
Insurance fees		244,201
Other income		34,545
Interest		5,748

Total revenues		<b>1,903,144</b>
----------------	--	------------------

**EXPENSES:**

Employee compensation and benefits		698,907
Commissions (Note 7)		544,350
Professional services		213,244
Rent (Note 5)		145,128
Insurance		75,891
Payroll and property taxes		51,087
Marketing and business development		39,380
Travel		38,690
Other expenses		32,566
Meals and entertainment		30,060
Registration and licensing		23,715
Training		21,104
Depreciation (Note 1)		10,960
Supplies		7,015
Amortization (Note 1)		3,799
Office		3,466
Contributions		1,930
Interest		240

Total expenses		<b>1,941,532</b>
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<b>NET LOSS</b>		<b>(38,388)</b>
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See Independent Auditors' Report and  
Notes to Consolidated Financial Statements.

**CASCADE FINANCIAL MANAGEMENT, INC.**  
**AND ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total
BALANCES AT DECEMBER 31, 2004	175	\$202,259	\$ 4,288	\$ 206,547
NET LOSS			<38,388>	<38,388>
REDEMPTION OF COMMON SHARES	<20>	<18,834>		<18,834>
BALANCES AT DECEMBER 31, 2005	155	183,425	<34,100>	149,325

See Independent Auditors' Report and  
Notes to Consolidated Financial Statements.

# **CASCADE FINANCIAL MANAGEMENT, INC.**

## **AND ITS WHOLLY-OWNED SUBSIDIARY**

### **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>OPERATING ACTIVITIES:</b>	
Net loss	\$ (38,388)
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation and amortization	14,759
Changes in assets and liabilities, net of effects from non-cash investing and financing activities:	
(Increase) decrease in assets:	
Receivable from broker-dealer and clearing organization	(626)
Prepays	(6,484)
Security deposit	(7,500)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(1,358)
Income taxes payable	(400)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(39,997)</b>
<b>INVESTING ACTIVITIES -</b>	
Purchases of furniture and equipment	(2,821)
<b>FINANCING ACTIVITIES -</b>	
Redemption of 20 shares of common stock	(18,834)
<b>NET DECREASE IN CASH</b>	<b>(61,652)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>138,706</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 77,054</b>

See Independent Auditors' Report and  
Notes to Consolidated Financial Statements.

# **CASCADE FINANCIAL MANAGEMENT, INC.**

## **AND ITS WHOLLY-OWNED SUBSIDIARY**

### NOTES TO FINANCIAL STATEMENTS

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Nature of Business

Cascade Financial Management, Inc. (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). The Company has offices in Denver, Ft. Collins, and Boulder, Colorado. The Company was incorporated as a Colorado Corporation in 2002.

##### Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned single member LLC subsidiary, CFMI Insurance Agency, LLC. The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including agency transactions and investment advisory. All material intercompany balances and transactions are eliminated in consolidation.

##### Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. The transactions recorded on a settlement-date basis are not materially different from the trade-date basis.

##### Investment Advisory Income

Investment advisory fees are received quarterly but are recognized as earned on a pro rata basis over the terms of the agreements.

##### Income Taxes

The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, using currently enacted tax laws and rates. The taxable loss was decreased by approximately \$15,000 of non-deductible expense required for meals and entertainment for the year ending December 31, 2005. Due to a current year loss, at December 31, 2005, there is no current income tax liability. The deferred income tax liability was \$1,500. The deferred income tax liability is due to temporary differences resulting from accelerated depreciation methods used for income tax purposes.

##### Depreciation and Amortization

Depreciation is provided on a straight-line basis using estimated useful lives of five to seven years. Amortization is on a straight-line basis using an estimated useful life of five years.

- Continued -

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles 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.

### Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Company defines 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.

## 2. RECEIVABLE - CLEARING ORGANIZATION

The amounts receivable from the clearing organization for the year ended December 31, 2005 was \$72,821. The Company clears all of its customer transactions through a broker-dealer independent of the Company on a fully disclosed basis.

## 3. PENSION PLAN

Effective in 2002, the Company implemented a 401(k) pension plan for all eligible employees. Employees are eligible to participate in the plan if they meet certain age limits, annual hours worked and length of employment requirements. Generally, employees could defer up to \$12,000 in 2005. The employer has accrued \$11,981 to be paid before the US income tax return is filed in 2006. The liability is reflected in accrued liabilities on the statement of financial condition. The expense is recorded as employee compensation and benefits on the statement of operations.

## 4. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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 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, 2005, the Company had net capital of \$59,229, which was \$9,229 in excess of its required net capital of \$50,000. The Company's percentage of aggregate indebtedness to net capital was 194.6%.

- Continued -

**5 COMMITMENTS**

The Company has obligations under operating leases with initial non-cancelable terms in excess of one year. Aggregate annual rentals for office space and equipment at December 31, 2005 are listed below:

Year Ending December 31:	Facilities	Equipment		Total
2006	\$ 101,157	\$4,664	\$	105,821
2007	87,685	4,664	\$	92,349
2008	89,993	4,664		94,657
2009	92,300			92,300
2010	94,607			94,607
2011	96,915			96,915
<b>Total</b>	<b>\$ 562,657</b>	<b>\$13,992</b>	<b>\$</b>	<b>576,649</b>

The Company has the option of renewing the office lease for one additional three-year term at the market rate at time of renewal, and the equipment lease for one additional one-year term. The aggregate expense for the year ended December 31, 2005 was \$145,128.

**6. CONSOLIDATED SUBSIDIARY**

CFMI Insurance Agency, LLC is a Colorado Limited Liability Company (the LLC). All of the member interests are owned by the Company. The LLC was formed on May 10, 2002 to sell insurance policies.

The following is a summary of the balance sheet of the Company's consolidated subsidiary at year-end:

Assets	\$882
Liabilities	782
Member equity	100

The assets of the subsidiary are readily available for protection of the Company's customers, broker-dealers, and other creditors, as permitted by Rule 15c3-1.

**7. RELATED PARTY TRANSACTIONS**

The Company has a broker relationship with Holmes and Turner Financial Services. The president of the Company is one of the owners of Holmes and Turner Financial Services. The Company recorded and paid \$146,918.95 of commission expense in transactions with Holmes and Turner for the year ended December 31, 2005.

**8. EXEMPTIVE PROVISION**

The Company claims an exemption from SEC Rule 15c3-3 based on Section (k)(2)(ii) that all customer transactions are cleared through another broker-dealer on a fully disclosed basis. *The clearing broker is RBC Dain Rauscher, Inc.*

**9. STOCK REDEMPTION**

On November 15, 2005, the Company purchased all of the shares from one of the shareholders. The shareholder sold 100% of her holdings (20 shares) to the Company for \$18,833 which is reflected on the statement of stockholders' equity as a redemption of common stock.

**CASCADE FINANCIAL MANAGEMENT, INC.**  
**AND ITS WHOLLY-OWNED SUBSIDIARY**

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2005**

	<b>SCHEDULE 1</b>
<b>TOTAL STOCKHOLDERS' EQUITY QUALIFIED FOR NET CAPITAL</b>	<b>\$ 149,325</b>
<b>ADD - Deferred income taxes</b>	<b>1,500</b>
<b>TOTAL CAPITAL</b>	<b>150,825</b>
<b>DEDUCTIONS AND/OR CHARGES:</b>	
Nonallowable assets:	
Furniture and equipment - net	(39,857)
Organizational costs - net	(4,116)
Prepaid expenses	(33,200)
Security deposit	(14,423)
<b>NET CAPITAL</b>	<b>59,229</b>
<b>AGGREGATE INDEBTEDNESS:</b>	
Accounts payable and accrued liabilities	113,735
Deferred income taxes payable	1,500
<b>Total aggregate indebtedness</b>	<b>115,235</b>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT -</b>	
Minimum dollar net capital requirement	50,000
Excess net capital	9,229
Excess net capital at 1,000 percent	47,706
Percentage of aggregate indebtedness to net capital	194.6%
<b>RECONCILIATION WITH COMPANY'S COMPUTATION</b> (included in Part II of Form X-17A-5 as of December 31, 2005):	
Net capital, as reported in Company's Part II (unaudited)	
FOCUS report	63,881
Audit adjustments to record additional expenses	(4,652)
<b>NET CAPITAL PER ABOVE</b>	<b>\$ 59,229</b>

See Independent Auditors' Report

# CASCADE FINANCIAL MANAGEMENT, INC.

## AND ITS WHOLLY-OWNED SUBSIDIARY

### CONSOLIDATING SCHEDULE OF FINANCIAL CONDITION

December 31, 2005

ASSETS	Cascade Financial Management, Inc.	CFMI Insurance Agency, LLC	Eliminations	Consolidated
<b>CURRENT ASSETS:</b>				
Cash (Notes 1 and 6)	\$ 77,054			\$ 77,054
Cash deposits with clearing organizations	35,000			35,000
Receivable from broker-dealer and clearing organization (Note 2)	72,821			72,821
Prepays:				
Insurance	3,077			3,077
Other	30,193			30,193
Investment in CFMI Insurance Agency, LLC	100		(100)	
Total current assets	218,245	0	0	218,145
<b>FURNITURE AND EQUIPMENT (Notes 1 and 6)</b>				
Furniture and equipment - net	39,857	0	0	39,857
<b>OTHER ASSETS:</b>				
Security deposit	14,423			14,423
Organizational costs, net of accumulated amortization of \$11,090	4,116	882	(782)	4,216
Total other assets	18,539	882	0	18,639
TOTAL	\$ 276,641	882	882	276,641

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### CURRENT LIABILITY -

Accounts payable and accrued liabilities

\$ 125,716

\$ 125,716

#### LONG-TERM LIABILITY -

Deferred income taxes payable (Note 1)

1,500

1,500

#### STOCKHOLDER'S EQUITY:

Common stock, no par value; 50,000 shares authorized, 135 issued and outstanding

183,425

183,425

Retained earnings

(34,100)

(34,100)

Member equity

882

(882)

Total stockholder's equity

149,325

882

(882)

149,325

TOTAL

\$ 276,541

882

(882)

276,541

See Independent Auditors' Report

# CASCADE FINANCIAL MANAGEMENT, INC.

## AND ITS WHOLLY-OWNED SUBSIDIARY

### CONSOLIDATING SCHEDULE OF OPERATIONS

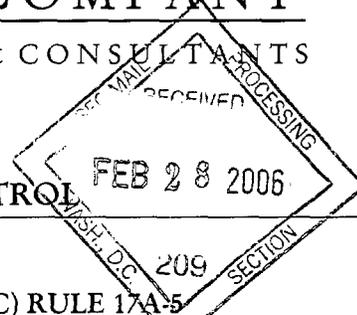
December 31, 2005

	Cascade Financial Management, Inc.	CFMI Insurance Agency, LLC	Eliminations	Consolidated
<b>REVENUES:</b>				
Commissions (Note 8)	\$ 770,978			\$ 770,978
Investment advisory fees	847,672			847,672
Insurance fees	33,797	\$ 210,404		244,201
Other income	34,545			34,545
Interest	5,748			5,748
Equity income from subsidiary				-
Total revenues	1,692,740	210,404	-	1,903,144
<b>EXPENSES:</b>				
Employee compensation and benefits	698,907			698,907
Commissions (Note 7)	366,928	177,422		544,350
Professional services	213,244			213,244
Rent (Note 5)	145,128			145,128
Insurance	75,891			75,891
Payroll and property taxes	51,087			51,087
Marketing and business development	39,380			39,380
Travel	38,690			38,690
Other expenses	32,566			32,566
Meals and entertainment	30,060			30,060
Registration and licensing	23,715			23,715
Training	21,104			21,104
Depreciation (Note 1)	10,960			10,960
Supplies	7,015			7,015
Amortization (Note 1)	3,499	300		3,799
Office	3,466			3,466
Contributions	1,930			1,930
Interest	240			240
Total expenses	1,763,810	177,722		1,941,532
<b>INCOME BEFORE TAXES</b>	<b>\$ (71,070)</b>	<b>\$ 32,682</b>		<b>\$ (38,388)</b>

See Independent Auditors' Report

**WADE J BOWDEN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**REPORT ON INTERNAL CONTROL**



REQUIRED BY  
SECURITIES EXCHANGE COMMISSION (SEC) RULE 17A-5  
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM  
(SEC) RULE 15C3-3

Board of Directors  
Cascade Financial Management, Inc

In planning and performing our audit of the financial statements of Cascade Financial Management, Inc. (the Company) for the year ended December 31, 2005, 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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 17a5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

3150 HWY 278, SUITE 105  
COVINGTON, GEORGIA 30014  
PH 770-639-4637  
FAX 678-868-1411  
[WBOWDEN@MINDSPRING.COM](mailto:WBOWDEN@MINDSPRING.COM)

**WADE J BOWDEN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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, 2005, to meet the SEC's objectives.

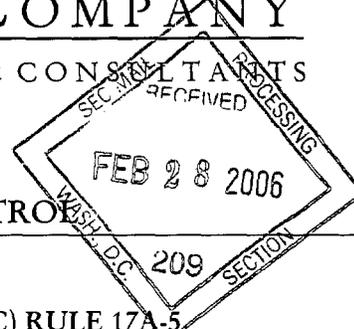
This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Wade J. Bowden & Company*

Wade J Bowden & Company CPAs, P.C.

January 31, 2006

3150 HWY 278, SUITE 105  
COVINGTON, GEORGIA 30014  
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**REPORT ON INTERNAL CONTROL**

**REQUIRED BY  
SECURITIES EXCHANGE COMMISSION (SEC) RULE 17A-5  
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM  
(SEC) RULE 15C3-3**

Board of Directors  
Cascade Financial Management, Inc

In planning and performing our audit of the financial statements of Cascade Financial Management, Inc. (the Company) for the year ended December 31, 2005, 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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 17a5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

# WADE J BOWDEN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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, 2005, 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 broker and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Wade J. Bowden & Company*

Wade J Bowden & Company CPAs, P.C.  
January 31, 2006

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